

FINANCIAL TIMES

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World Business Newspaper WEDNESDAY JULY 17 1996

Russia's efforts to cut inflation hailed a success by IMF

The International Monetary Fund said an ambitious Russian anti-inflation programme, assisted by a \$10bn IMF loan, had been a success. The Russian government's economic policies were also applauded by US vice-president Al Gore, who met president Boris Yeltsin (left) yesterday in a sanatorium outside Moscow after a planned meeting on Monday had to be rescheduled. Mr Yeltsin's appearance dispelled the worst fears about his health but observers at the meeting said he walked haltingly, spoke slowly and looked pale. Page 12; Shaky Yeltsin, Page 2

Result's market share declines: Shares in Renault, the French carmaker, fell 2.5 per cent after it announced a sharp fall in its market share in western Europe. Page 18; New car sales tumble, Page 2; Lex, Page 12

Tietmeyer boosts rate cut hopes: Bundesbank president Hans Tietmeyer boosted hopes of a German rate cut by saying the central bank was interested in lowering interest rates if monetary conditions allowed. Page 2

US death sentences attacked: The respected International Commission of Jurists said death sentences in the US were arbitrary and weighted against blacks. Page 5

Ukraine's PM escapes bomb blast: Ukrainian prime minister Pavlo Lazarenko escaped unhurt when a remote-control bomb damaged his car on the way to Kiev airport, security officials said. Page 2

Israeli shares tumble: Israeli shares fell almost 4.5 per cent despite attempts to stabilise the country's turbulent financial markets. The decline means the benchmark index has fallen 80 per cent since Benjamin Netanyahu took over as prime minister in late May. Page 18

Earnings boost for top two US banks: The US's two biggest banking groups, Chase Manhattan and Citicorp, each registered large earnings advances in the second quarter. Chase had a 17 per cent rise in net income due to cost-cutting after the Citicorp Bank merger. Citicorp's 12 per cent rise in after-tax earnings was helped by strong growth from its operations in emerging markets. Page 14

Brussels warns Poland: The European Commission warned that delays in Poland's plans to lower trade barriers could hold up its application for European Union membership. Page 8

S Korea to raise \$2.5bn for transport plan: The South Korean government approved financing plans for the construction of five massive infrastructure projects costing \$2.5bn. Page 8

EH Lilly's sales down: Sales growth at US drugs company Eli Lilly wilted during the second quarter due to increasing competition in some international markets and the dollar's recent surge. Page 14

ING Barings settles lawsuit: ING Barings said it had settled the lawsuit it launched last month against rival investment bank Deutsche Morgan Grenfell over the poisoning of 75 of its Latin American equities staff. Page 16

Tokyo acts over food poisoning crisis: Japan set up a crisis unit to curb the worst outbreak of food poisoning in the country's history, after four people died and more than 4,000 children became ill. Page 6

Zinc mine plan shelved: Mining company RTZ-CRA has shelved plans for a billion-dollar zinc mine in Queensland, Australia, rather than seek special legislation to thwart objections by aboriginal groups.

Eight Turkish MPs quit: Eight MPs resigned from Turkey's centre-right True Path party in protest at its alliance with Islamist prime minister Necmettin Erbakan. Page 2

Bomb found on Tour de France route: Spanish police detonated a bomb in Pamplona, where the 17th stage of the Tour de France cycle race is due to finish tomorrow. The device, planted in a rubbish bin outside a bank, was detonated after a warning was received. No one was injured.

Princess drops charities: The Princess of Wales is resigning as patron or president of almost 100 charities and organisations. She told the charities her decision arose from her divorce and her wish to re-organise her life.

STOCK MARKET INDICES		GOLD	
New York S&P 500	101.72 (-1.01)	New York Gold	384.80 (-0.10)
Dow Jones Ind. Avg.	2,927.78 (-28.47)	London Gold	384.80 (-0.10)
NASDAQ Composite	1,014.72 (-10.47)	London Silver	1.228 (-0.002)
Europe and Far East		New York Silver	1.228 (-0.002)
DAX	1,908.51 (-10.0)	London Platinum	1,557.00 (-1.00)
Nikkei	14,074.78 (-10.7)	London Palladium	1,492.00 (-1.00)
FTSE 100	2,927.78 (-28.47)	London Rhodium	1,228.00 (-0.002)
Hang Seng	21,662.35 (-947.07)		
US LUNCHTIME RATES		OTHER RATES	
Federal Funds	5 1/4%	10y US Treasury	7 1/4%
3-month Term Rate	5.10%	10y US Treasury	7.44%
Long Bond	5 1/2%		
Yield	5.90%		
MONTHLY OIL (Barrel)		STRENGTH	
Crude Oil	20.17	DM	2.3042 (2.3546)
		Yield	5.90%

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World markets hit by Dow turmoil

Falls sparked by weak technology stocks and fears of US rate rise

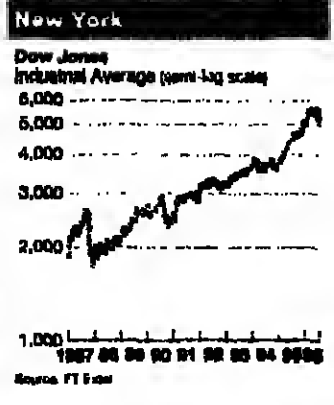
Share prices in New York fluctuated violently yesterday, concluding a day of sharp declines on most world stock markets. Renewed weakness in technology stocks prompted the Dow Jones Industrial Average, which plunged 161.06 points - or nearly 5 per cent - on Monday, to register another 100-point decline at one stage yesterday. At that level, the average had suffered a 10 per cent fall from its all-time high of 5,778, recorded in May. However, the market rallied in late trading, and an hour before

the close had entered positive territory. A series of profits warnings in the high-technology sector, allied to fears that a strengthening economy would prompt a rise in US interest rates, have caused shares to slide over the last fortnight. Further disappointing news from companies in the technology sector, such as Texas Instruments and Compaq, affected the market yesterday. The Nasdaq index, which has a heavy concentration of high-tech stocks, dropped 41.96 to 1,014.23 by 1pm New York time; some US indices, such as the broad S&P 500, were at their lowest levels of the year at lunchtime. The Dow recorded an early 40-

point gain before its heavy lunch-time fall; a rally then cut the decline to less than 100 points by 1.30pm New York time. There was evidence, as last week, that investors were selling shares to respond to Wall Street's sharp fall. In Tokyo, the Nikkei 225 average dropped 347.07 points, or 1.6 per cent, to 21,406.55, and there was a similar percentage drop in Hong Kong. There was a nervous reaction in Europe, although the Dow's worst levels were not achieved until after the continent's hours had closed. In London, the FT-SE 100 index, having been 85.7 points lower at one stage, recovered slightly to finish 66 points off at 3,832.3, its 1986 low. Other European markets also steadied, with the DAX in Frankfurt notching up a 0.2 per cent decline in official trading but limiting that drop to 2.1 per cent in

after-hours dealings. European hours had held up well in response to some of the Dow's recent falls, notably the 114-point drop on July 5. Mr Peter Chambers, chief investment strategist at James Capel, said earlier declines were linked to expectations of a rise in US interest rates. Europe was able to shrug off such concerns because it was at a different stage in the economic cycle than the US. He did not expect a rise in German rates for 18 months to two years. Monday's fall on Wall Street reflected concerns about corporate profits, Mr Chambers said. The continent's hours had been badly affected as "a fair chunk of

European earnings is based in the US". A further adverse factor yesterday was that Wall Street's decline led to a fall in the US dollar, which lost three pence against the D-Mark.



Sumitomo refuses UK access to copper trade files

Sumitomo Corporation has refused to give UK investigators access to files detailing the copper trade by Mr Yama Hamanaka, the senior trader blamed by the Japanese trading house for losses of \$1.5bn. During visits to Tokyo by representatives of the Securities and Investments Board, the UK's top investment watchdog, and the UK Serious Fraud Office, Sumitomo said it could not give access to the files while its own investigation was in progress. The UK investigators had to resort to interviewing other copper traders and brokers in Japan, while Sumitomo officials said the investigation was so complex it could take "several years" to complete. Japan's ministry of justice, which had indicated that it would consider launching an investigation into alleged "unauthorised" trading by Mr Hamanaka, said yesterday that it had no formal plans for an inquiry. Neither the SIB nor the SFO have any authority to conduct investigations in Japan or to demand that Sumitomo hand over files. They rely on the goodwill of the Japanese trading house, which dismissed Mr Hamanaka last month. Justice ministry officials emphasised that, to inspect the files, the UK investigators would have to make a request to the Japanese foreign ministry which would pass it on to the justice ministry and its prosecutors. The ministry said, however, there had been no further visits since the SIB and the SFO visited Tokyo last month. In London, the UK agencies insisted they had achieved the main purpose of the Japanese visits - establishing personal contact with counterparts there. "We want it to be a model of international co-operation because that is the only way the truth [about the Sumitomo copper affair] will be arrived at," an SFO official said. No further visit by the SFO was planned at present but "we will go back again if the need arises". An SIB official said Sumitomo continued to indicate its willingness to co-operate with the UK authorities. The visit to Japan had been partly to establish who would be taking the lead should the authorities there hold their own investigation. It was clear to the UK agencies that the Japanese justice ministry was taking the lead role, but the ministry of international trade and industry, which oversees the country's trading houses and commodities trading, was also involved. Both had said they were willing to co-operate with UK and US investigators.



The Daled Lama continued his visit to Britain yesterday amid warnings from China that the Tibetan leader's presence in the UK would have "adverse effects" on bilateral relations. Report, Page 6

Clinton delays action on Cuba business links

President Bill Clinton yesterday affirmed the US right to sue foreign companies using Cuban assets formerly owned by Americans. But he sought to placate trading partners by imposing a moratorium of at least six months on the filing of suits. Mr Sandy Berger, deputy head of the president's national security council, said Mr Clinton had decided to let the controversial Title III of the anti-Cuban Helms-Burton Act come into effect, but to use it "not as a sledgehammer but as a lever" to promote democracy in Cuba. Mr Berger said the president had decided that foreign companies needed to be put "on notice" that the US was determined that they cease doing business in Cuba unless there was substantial political and economic reform there. In suspending any lawsuits for six months - and raising the possibility that the moratorium could be extended - Mr Clinton also called on US allies "to join us in taking concrete steps to promote democracy in Cuba." However, the European Union said yesterday that it would continue with plans to retaliate to the act. A European Commission statement said that, while it welcomed Washington's decision to suspend the implementation of Title III, the extra-territorial nature of the law still remained. A British embassy official in Washington said the UK was "pleased" at the suspension, "disappointed" there was no full waiver of Title III and "happy" to use the next six months for consultation on the future of Cuba. The act, passed earlier this year to placate a strong Cuban-American lobby, allowed lawsuits against foreigners dealing in assets confiscated in Cuba since 1959. It attracted threats of retaliation from the EU, Canada and Mexico. Companies based in those countries could have faced costly US court actions. Mr Berger noted that by implementing Title III - the object of the most intense allied criticism - any liability attaching to foreign companies for "trafficking" in confiscated US property in Cuba

TI profits fall 73% after steep drop in global chip market

Two leading semiconductor makers yesterday changed their production plans in response to the fall in world chip prices. Hitachi, Japan's largest electronic equipment maker, halted output at a new semiconductor plant and postponed big investments in capacity. Meanwhile Rockwell International of the US is to delay production for at least 12 months at a \$1.2bn semiconductor wafer factory in Colorado Springs. Report, Page 13 compared with \$278m or \$1.44 a share in the second quarter of 1995. Revenues fell to \$9.85m from \$1.94m in the same period last year. TI predicted that world semiconductor market revenues would shrink this year after an unprecedented 10 years of rapid growth. As recently as last December TI had been projecting market growth of about 20 per cent for 1996. The long-term outlook for the world semiconductor market remained strong, however, with consumption expected to double over the next five years to about \$100bn, which was about \$50 at the beginning of this month, were trading at 84 1/2% in mid-session yesterday, down about 2 per cent from Monday's close of 86 1/2%. Net earnings for the quarter were \$78m, or 39 cents a share.

British Rail

The Sale of BR Business Systems

The British Railways Board invites organisations to register their potential interest in buying British Rail Business Systems (BRBS).

BRBS is the leading provider of information systems and services to the UK railway industry and has more than 80 customers.

BRBS provides:

- Passenger ticketing, settlement and distribution systems for the train operating companies
- Fast time train operating systems for Railtrack and train operators essential to the management of train movements.

In addition to these main operational systems, BRBS also provides:

- Business services
- Systems integration
- Application development and management services
- Facilities management of the information systems
- Infrastructure
- Information systems installation and support
- Bureau services.

In the year ended 31 March 1996, BRBS had turnover of approximately £27 million. It employs around 1,100 people.

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NEWS: EUROPE

Looks in good shape, says Gore, but others are not so sure

Shaky Yeltsin back in limelight

By Chrystia Freeland in Moscow
President Boris Yeltsin yesterday emerged from nearly three weeks of seclusion to meet Mr Al Gore, the US vice-president, in the Barvikha sanatorium just outside Moscow.

slowly and looked pale. Mr Gore, whose chances for re-election this autumn on a ticket with President Bill Clinton could be boosted by a visibly successful Yeltsin administration, sought to play down concerns about the Russian leader's health.

Mr Gore said he had urged the Russian leadership to seek a peaceful solution in the breakaway region and hoped the "great optimism" reigning in other aspects of Russian life would spill over to the festering conflict in Chechnya.

"We may be far from optimism when it comes to the Chechen issue", he "very much regretted" that the pre-election ceasefire had collapsed and vowed to press for a peaceful settlement.

EUROPEAN NEWS DIGEST

Ukraine PM escapes bomb

Mr Pavel Lazarenko, the recently appointed Ukrainian prime minister, yesterday narrowly escaped serious injury when a remote-controlled bomb exploded as his car drove past.

West debates Bosnian mandate



US envoy Richard Holbrooke (left) being met at Sarajevo airport yesterday by US ambassador to Bosnia, John Menzies

France yesterday began sounding out its fellow members of the United Nations Security Council about a possible boosting of Nato's mandate in Bosnia, so as to provide for firm action against Serbian leaders who are wanted for war crimes.

Bonn invites digital phone bids

The German post and telecommunications ministry will today invite bids to operate a fourth digital mobile telephone network from May next year.

Greek ceiling on overdue loans

Greece's central bank yesterday set a ceiling for penalty interest rates on overdue loans at 25 per cent above current borrowing rates.

Albania ends key price controls

The Albanian government announced late on Monday that it had lifted controls on bread, gas and paraffin prices, raising fears of rocketing prices and unrest.

German trade surplus grows

Germany's trade surplus widened to DM3.2bn (\$5.38bn) in April and the current account deficit narrowed to DM900m, the Federal Statistics Office said yesterday.



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Tietmeyer raises hopes for rate cut

By Peter Norman in Bonn

Mr Hans Tietmeyer, the Bundesbank president, yesterday boosted hopes of reduced German borrowing costs by declaring that the central bank was interested in lowering interest rates if monetary conditions allowed.

In an interview with the German economic news agency VWD, Mr Tietmeyer said the bank's central council would carry out its summer review of monetary policy at its next meeting on July 25.

It was already clear, he said, that there would be no decision to raise rates either now or in the foreseeable future. Instead, the Bundesbank was interested in keeping rates "as stable as possible or even lowering them somewhat, insofar as monetary conditions allowed."

The Bundesbank went to considerable lengths to publicise Mr Tietmeyer's remarks by contacting news organisations, including the Financial Times. Officials said it was anxious that financial markets should not think last Friday's rise in the Dutch central bank's special advances rate to 2.7 per cent from 2.6 per cent presaged German rate increases.

Mr Tietmeyer has hinted several times in recent weeks that there might be scope for lower German rates. The Bundesbank cut its psychologically important discount and Lombard rates by half a percentage point each to 2.5 per cent and 4.5 per cent respectively in April.

These rates determine the floor and ceiling of German money market rates. But the securities repurchase rate, which determines the actual short-term money market rates, has been stuck at 3.3 per cent since February.

In theory, Bundesbank interest rate decisions are guided primarily by the growth of M3, the broad money measure which has been well above the 1996 target range of 4-7 per cent so far this year. However, M3 growth has decelerated in recent months. It was last recorded at an annualised rate of 10.5 per cent in May over the final quarter of 1995 after 11.2 per cent in April.

Since the last M3 report, it has been announced that paragraph year-on-year inflation was at an all-time low of 1.4 per cent in May and the government has produced a tough draft federal budget envisaging a 2.5 per cent cut in spending next year. Another factor which could influence the bank is the D-Mark exchange rate. Mr Tietmeyer, in particular, does not want to see any gain that would erode Germany's international competitiveness.

However, the Bundesbank president, although undoubtedly influential, is only one voice among many in the bank's decision-making council. The future level of interest rates will be a subject of keen debate for all its members.

New car sales tumble 8.8% in western Europe during June

By Haig Simonian, Motor Industry Correspondent

Sales of new cars in western Europe fell by 8.8 per cent last month, prompting concerns in the industry that this year's unexpectedly strong growth in demand may have ended.

The decline clipped the rate of growth in new registrations in the first half of 1996 to 4.8 per cent, compared with 7.5 per cent in the first five months. The downturn reinforced industry forecasts that sales would rise by 2.3 per cent this year - some analysts had revised their predictions upwards after the surprisingly buoyant January-May period.

Last month's data, partly provisional, showed sales down in nine of 17 markets monitored by the European Automobile Manufacturers' Association (ACEA).

Registrations slipped in four of Europe's five biggest markets, and the rate of decline accelerated in France and Italy, where sales had started falling earlier.

Sales in France dived by 32.1 per cent last month year-on-year (1995 figures were inflated by the final month of an incentive programme for new car purchases) and by 4.3 per cent in Italy. Even the big German market reported a 3.3 per cent fall. Britain alone stood out in Europe's top five markets, with a 4.7 per cent rise.

"We believe the fundamentals are not strong enough to create significant consumer demand. Therefore, the underlying trend remains weak sales growth," said Mr James Rossie, ACEA's director of communications.

Most carmakers reflected the fortunes of their home markets. Renault and Peugeot-Citroën reported some of last month's sharpest falls among the big companies.

Added to the distortion caused by the French incentive scheme, was a fall in domestic demand for diesel-powered cars, in which Renault and Peugeot-Citroën are relatively strong. New diesels accounted for 40 per cent of the French market in the first half of this year, compared with 46 per cent in the same period in 1995.

Renault sales fell 20.9 per cent last month - the largest fall of any big manufacturer. Sales of Peugeot-Citroën slipped by 14.4 per cent.

Almost the only improvements in last month's European registrations came among Korean brands, which built on their strong push with a 12.2 per cent surge in sales year-on-year, taking registrations to 125,844 in the first half. This is almost 53 per cent above the same period last year.

Virtually the only other manufacturers to report significant increases were those with new models, such as Mercedes-Benz and BMW.

Lex, Page 12; Renault, Page 13

Table titled 'WEST EUROPEAN NEW CAR REGISTRATIONS' showing data for January-June 1996. Columns include Volume (Units), Volume Change (%), Share (%), and Share (%). Rows list various manufacturers like Volkswagen, Audi, Ford, etc.

MARKETS: Germany 1,908,000, France 1,028,200, United Kingdom 1,000,600, etc.

MPs quit Ciller's party over alliance

By John Barham in Istanbul

Eight MPs resigned yesterday from Turkey's centre-right True Path party, further weakening the position of its leader, Mrs Tansu Ciller, in her uneasy alliance with Mr Necmettin Erbakan, the Islamist prime minister.

The rebel MPs' resignations had been expected since they voted against the coalition in last week's parliamentary vote of confidence. However, their departure could further jangle the nerves of financial markets concerned about the growing influence of Mr Erbakan's Refah party in government policy.

Mr Mehmet Kutman, chairman of Global Securities, a leading Istanbul brokerage, said Refah "has 90 per cent of the power and True Path is increasingly fragmented and Refah can dictate its policies".

True Path now has only 120 MPs to Refah's 159 and the government's majority has fallen to four in the 500-member parliament. Mrs Ciller may control the main economic portfolio, the interior and the defence ministries, but it is Mr Erbakan who is deciding policy in these areas. Mrs Ciller herself is foreign minister.

Mr Erbakan has taken a moderate line so far, scrapping his radical proposals for ending the customs union with the European Union and pulling Turkey out of Nato, but there is concern that he is consolidating effective control over the government.

On Monday, markets plunged following statements by Mr Abdullatif Senter, the Islamist finance minister, that interest rates should be capped. Yesterday, news agencies reported that the nominally autonomous central bank would come under Mr Erbakan's control.

However, Mr Kutman said: "The central bank is always tied to the prime minister. We have to wait and see before anyone can say whether this is good or bad. I do not think Refah will pursue populist or Islamist policies like many people are saying."

There is no indication that Mr Gazi Ergil, the respected central bank governor, would be removed. But bankers suspect he would resist government demands to loosen monetary policy and fear markets would react negatively to a forced resignation.

Business failure numbers overshadow efforts to cut unemployment

Shutters come down in France

By David Owen in Paris

The shuttered shops of the Félix Potin grocery company on many Paris street corners provide a daily reminder of the rapid rate at which French businesses are failing.

The collapse of the chain of shops late last year after 151 years of supplying food to Parisians was attributed to its failure to modernise and its concentration on the declining activity of selling food from small establishments.

Yesterday, the credit insurance organisation Société Française d'Assurance Crédit published statistics which will make worrying reading for Mr Alain Juppé's government, which is striving with mounting desperation to bring down a jobless total within a whisker of its highest ever level.

In the second quarter of this year, more than 17,000 French businesses failed, more than in any quarter since the final three months of 1993, at the end of the last recession.

Cumulative figures for the first half - almost 34,000 failures - represent an 11.8 per cent increase on a year ago and a 16.7 per cent advance from the six previous months.

deterioration in the business climate in France in the first months of 1996, beyond even the statistical disruption linked to the strikes of December 1995."

It continued: "Taking into account the weakness of economic activity and the uncertainties surrounding coming months, it is practically certain that 1996 will bring an increase in the number of company closures of relatively long standing."

Taking into account all failed companies, building and public works was the sector registering the biggest proportional increase in the number of failures - up by 16 per cent from the first six months of 1995.

This was followed by property (up 14 per cent), cafes and restaurants (13 per cent) and consumer services (11 per cent). Only business services recorded a decline, by 2 per cent from levels of the first half of 1995.

In regional terms, the number of failures in Alsace and Lorraine in eastern France rose by 35 per cent and 23 per cent respectively. This trend was attributed by SFAC to Germany's recent economic difficulties.

Failures in the southern France region of Provence/Côte d'Azur were also up sharply at 27 per cent above levels of a year ago.

Mr Jean-Pierre Raffarin, minister for small and medium-sized companies, who has set a target of cutting the mortality rate of new French businesses in their first three years of existence from 50 per cent - among the highest in Europe - to 20 per cent by the year 2000.

The government last week announced the creation of a development bank aimed at improving the effectiveness of the system of public support for financing small and medium-sized companies, partly through a system of loan guarantee mechanisms and partly through co-financing arrangements in partnership with traditional banks.

Several of these companies were family businesses after two consecutive years when the number fell.

If present trends continue, the number of business failures in France will come very close to the 68,000 in 1993, the worst year on record.

Among companies with annual sales of above FF100m, the sectors which registered the worst deterioration in the first half of 1996 were building and public works and industry.

About 16,600 employees were affected by failures of medium-sized and large companies, though SFAC pointed out that not all these jobs would have been lost outright. Several of these companies were family

Netherlands' economic garden is blooming

Dutch jobs figures are the latest in a harvest of healthy statistics, says Gordon Cramb

Unemployment in the Netherlands is on a downward trend after hitting a plateau late last year, government statisticians said yesterday. They were releasing second quarter jobs data - the latest in a string of healthy indicators for the economy.

The number of seasonally adjusted jobs represented 8.8 per cent of the labour force in the April-June period, down from 7.1 per cent a year earlier and from 6.9 per cent in the three months to May.

which showed a 7.1 per cent rise from the same month in 1995, accelerating from 4.9 per cent growth in April.

"The labour market is developing favourably due to wage moderation. This is keeping exports competitive and is spilling over into the domestic economy, especially the services sector," said Mr Bob Komroos, economist at AER Aank Bank.

"Consumption is developing very well, and that is also caused by solid employment growth." In addition, disposable income had been augmented by tax cuts last year, he added.

The retail sales surge, although exaggerated by a greater number of popular shopping days which fell in the month, mirrors a cautiously improving trend in consumer confidence surveys.

Not does evidence exist of upward pressure on prices. Inflation in recent months has held at an annual 2 per cent, its average level for last year.

Exports, up 4 per cent year-on-year in the first four months of 1996, are expanding more quickly than expected. Demand was no less strong from the key German market, which takes some 30 per cent of all Dutch exports and has been on the edge of recession.

A large part of the country's shipments to Germany are foodstuffs, which are less sensitive to the downturn, and gas, demand for which was buoyed by a cold winter.

The Dutch economy has been growing faster than its larger neighbour since 1993, but any further tightening by Bonn would have an impact, economists warn.

Reforms aimed at easing the burden on the government of disability benefits yesterday appeared likely to be delayed, however.

Employers would have a greater responsibility for providing cover under the widely abused system, as part of a shake-up due to take effect next January. A delay in getting the measures through parliament means they may now take effect only from 1998.

Poland trade w by Brus
Gdansk shipyard awaits its financial saviour
Bonn invites digital phone bids
Greek ceiling on overdue loans
Albania ends key price controls
German trade surplus grows

Poland given trade warning by Brussels

By Lionel Barber in Strasbourg

The European Commission yesterday called on Poland to speed up plans to lower trade barriers, warning that delays could hold up its application for EU membership.

Mr Hans van den Broek, EU commissioner handling enlargement in central and eastern Europe, singled out Polish duties on oil imports during bilateral talks in Brussels. He also criticised a deal with Daewoo, the Korean car manufacturer, to import 110,000 assembly kits.

The Dutch commissioner told reporters: "It is regrettable that such trade difficulties should affect relations between the EU and Poland at a time when we are working so closely to prepare for accession. They need to be resolved quickly so that they do not interfere with our preparations for [Poland's] membership."

By contrast, Mr van den Broek, praised Hungary's progress in bringing economic, trade and legal standards up to the EU level. After meeting Mr Laszlo Kovacs, Hungarian foreign minister, he declared: "The overall picture is a very positive one."

The complaints about Polish protectionism look like an effort to inject a dose of realism into future enlargement negotiations. The Commission has long felt that post-communist governments in Warsaw have played down the difficulties of future accession and aligning the economy to the single market. Brussels

Italian 'super minister' talks tough

By Robert Graham in Rome

If things had gone as planned Mr Carlo Azeglio Ciampi would have begun a graceful retirement in 1993 after 14 distinguished years as governor of the Bank of Italy. But first he found himself called to head a transitional government for a year until April 1994. Now, at the age of 75 and still looking spryly, Mr Ciampi is playing a pivotal role in the centre-left government of Mr Romano Prodi as a "super economics minister".

Combining for the first time the Treasury and budget portfolios, he symbolises the government's commitment to modernise the economy and join European monetary union.

He is almost obsessive about the need for international confidence and credibility in the government's policies. But he knows full well how easily sentiment can change. Disagreements within the government last week over incomes policy were followed by sharp falls in Italian financial markets and this week they took further fright at the government's indecision.

In many ways this government's economic policies begin where he left off as prime minister two years back. Since then the privatisation process has slowed and valuable time

has been lost putting the public accounts in order. Not surprisingly he is a man in a hurry and betrays the occasional sign of irritation when he finds obstacles in his path.

Despite his prestige and weight within the cabinet, his freedom of movement during the government's first two months in office has been limited by the need to achieve consensus among the parties backing the Olive Tree alliance. His tough demands for economic and financial orthodoxy cannot easily be squared with the left of the government coalition.

This explains the delay in bringing out the government's three-year macro-economic programme and in deciding the details of the L16,000bn (\$10.4bn) mini-budget announced last month. He has been obliged to see the unions get away with a 3 per cent earnings increase in current wage negotiations against an inflation target of 2.5 per cent for 1997. This will place additional pressure on controlling inflation - the central pillar of economic policy, alongside forcing down interest rates.

Where the Treasury can act alone, he has moved fast. Already he has signalled his determination to accelerate privatisation by selling off the Treasury's final tranches in Ina, the insurance company,



Carlo Azeglio Ciampi: economy supremo in a hurry

and Ina, the financial institution. He has ruled out the Treasury taking Alitalia, the troubled national airline, on to its books away from Iri, the state holding company. Iri has been told it must find on its own the L8,000bn needed to reduce Alitalia, with the airline if necessary selling some of its own assets.

"In the autumn we plan to sell another tranche of Eni (the oil group) but at this stage it has not been decided

how much," he said in an interview. Last year 15 per cent of Eni was floated, raising L6,300bn.

His main privatisation concern is Stet, the telecoms group, which is owned 62 per cent by Iri, the state holding company. Dubbed the "mother of all privatisations", the Stet sell-off has been blocked for two years by a powerful cross-lobby in parliament. Mr Ciampi was unable to push through even a shake-up of the

Stet board when it came up for renewal last month; and the cabinet has twice delayed agreement on legislation for setting up a telecoms authority.

Legislation for this regulatory authority is an essential pre-condition for selling off the core telecoms business, and the cabinet should finally give the go ahead today.

"Hopefully we can get the authority legislation through one of the two houses of parliament before the summer recess," Mr Ciampi said. "Then the other house could process the law by late September, mid-October."

The window of opportunity to sell Stet would then come between Deutsche Telekom in the autumn and France Télécom in the spring. He believes this would probably be in January/February. The Stet sell-off is essential to generate funds to reduce Iri's debt from L25,000bn to below L5,000bn as agreed in 1993 with the EU Commission. Theoretically, this has to be completed by the end of this year but Mr Ciampi believes an extension can be negotiated.

On broad economic policy, Mr Ciampi defends the government's decision to aim to achieve in 1998 the budget deficit convergence criteria for EMU laid down in the Maastricht treaty. This would be a year late. He believes this approach is more realistic; and if the economy recovers from its current stagnation in the second half of the year, he is convinced Italy should consider a further financial package in early 1997. "Why not ask the Italians if they wish to be part of the first phase of monetary union to make one extra sacrifice?"

The possibility of introducing measures additional to the 1997 budget, outlined at L22,000bn, allows him to say Italy has not abandoned hope of being in the first group of countries to adopt the single currency. As it stands the 1997 deficit is scheduled to be 4.5 per cent of GDP (the Maastricht qualifying criterion is 3 per cent). But Mr Ciampi is expected to announce this month sharp cuts in spending authorisations which have not been utilised.

The key variable remains interest rates since each percentage point fall means the cost of servicing Italy's huge debt is cut by L15,000bn over 18 months. The Treasury has taken a very cautious view of the direction of interest rates (it is forecasting 8 per cent next year for 12-month Treasury bills, which were 8.8 per cent yesterday); but the Bank of Italy has made it clear to fight inflation it will continue with its tight money policy.

Gdansk shipyard awaits its financial saviour

By Christopher Bobinski in Warsaw

Management and trade unions kept up the pressure on the Polish government to salvage the troubled Gdansk shipyard yesterday as efforts continued to find a foreign strategic investor.

Mr Wieslaw Kaczmarek, the privatisation minister, met shipyard representatives yesterday as workers gathered to demand government action to save 5,000 jobs at the yard famous as the birthplace of Solidarity. But Mr Kaczmarek told them that there was only "a 30 per cent chance of finding an outside investor."

Mr Kaczmarek said three groups of investors had expressed an interest in the shipyard but only one, believed to be a group of Norwegian and German banks and ship-owners organised by OJ Libæk, a Norwegian ship broker, had picked up an information memorandum on the yard.

The shipyard's problems came to a head earlier this year when state-owned Bank Handlowy refused to negotiate a debt reduction agreement and local banks cut the financing needed to build the 16 vessels worth \$900m currently on order. The banks argue that completing the low-priced contracts would only deepen the yard's losses.

Mr Jerzy Borowczak, leader of the yard's Solidarity union branch, painted a dismal picture of the company's situation. "We are losing our best workers. Over the last couple of months numbers have fallen from 7,200 to 5,300 and those who have stayed are on half pay and working amid power cuts and a lack of the most elementary facilities," he said, referring to supply cuts by utility creditors.

Mr Ryszard Goluch, the yard's chief executive, is currently seeking government credit guarantees to raise a \$13m loan to complete a 48,300-ton bulk carrier for East Asiatic, a Danish shipowner. Another \$25m is needed to build a 1,600-unit container vessel for Columbia, a Cyprus-based German shipowner.

"We mustn't allow the shipyard to die around us," Mr Goluch said yesterday. "We must have between 5 and 7 vessels under construction at any given time to keep the yard going." A business plan prepared by the yard foresees the establishment of a new ship-building operation which will use only 60 per cent of the present fixed assets and cut the workforce to 5,000.

Probe of Philip Morris's position in Italy

By Neil Buckley in Brussels

European Commission officials are investigating possible abuses of a dominant position in the Italian cigarette market by Philip Morris, the US tobacco company, and AAMS, the Italian state tobacco monopoly.

The competition authorities are concerned that the groups, until recently linked by a licensing agreement allowing the Italian monopoly to use some Philip Morris brand names, together control more than 90 per cent of the market.

Philip Morris's share has jumped from 29 per cent to 50 per cent in 10 years, while the monopoly's share has fallen from 65 to 43 per cent. "We have some questions about the way this duopoly functions," a spokesman said. "There is a series of very detailed questions going back 10 years."

Officials have written to AAMS demanding information on its contracts with Philip Morris and on its distribution activities in Italy within eight weeks - but a full investigation could be lengthy.

Article 86 of the Treaty of Rome gives the Commission the right to investigate dominant positions within the single market, and to order changes in agreements or impose fines if it finds abuses.

The Commission's attention was caught by the apparent "anomaly" that both the concentration of the market and Philip Morris's share were far higher in Italy than in nearby markets such as France and Spain. The US group's share in Spain is 16 per cent, and in France 28 per cent.

Manufacturers such as BAT and Reynolds had only 7 per cent of the Italian market last year - far less than in neighbouring countries.

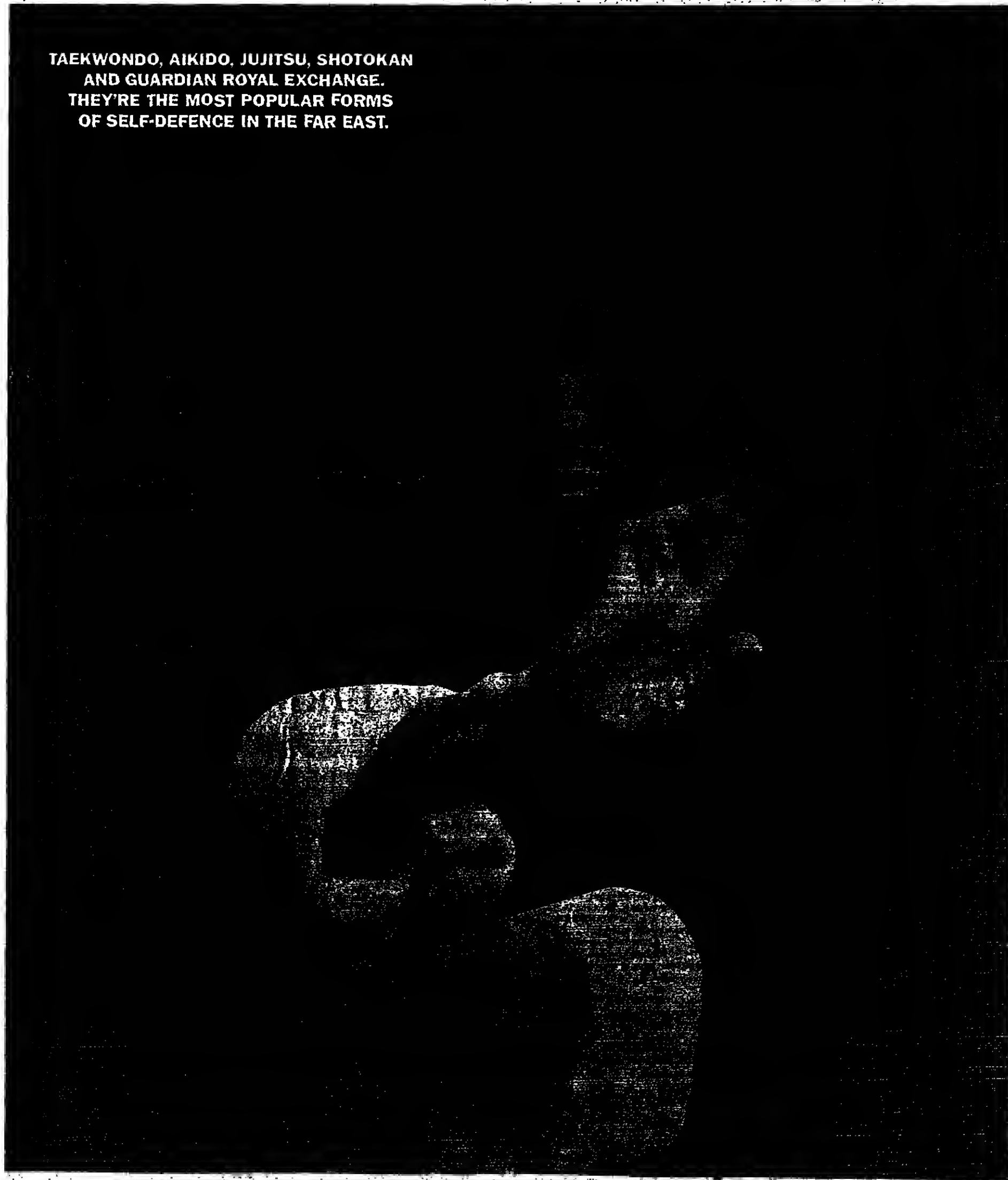
Under Italian law, AAMS has exclusive right to manufacture cigarettes in Italy, exercised mainly through production company ATI, which manufactured 64,000 tonnes of cigarettes last year.

Mr Christophe Papoutis, the European Union's entry commissioner, is launching an extensive round of consultations of governments, gas suppliers and producers on the best way to liberalise the EU's gas market.

Following the recent ministerial agreement on opening the EU electricity market to cross-border competition, after eight years of talks, the commissioner hopes to take advantage of the political momentum to progress on gas.

Philip Morris results, Page 14

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NEWS: INTERNATIONAL

Sanctions fan flames of Libyan discontent

A football riot takes on a political dimension as an oil-based economy comes under increasing strain

Libyan leader Colonel Muammar Gaddafi in his "Green Book" of esoteric theories on life and governance urges spectators at sports events to "participate". Last week a football crowd in Tripoli took him at his word and left between 20 and 50 people dead.

Security guards opened fire when the crowd chanted anti-Gaddafi slogans (which may have been directed at the colonel's sons attending the match), stormed the field, attacked the referee and spilled on to the streets to stone foreigners' cars.

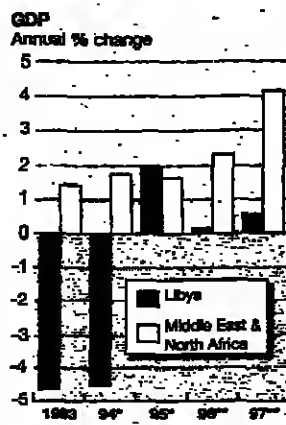
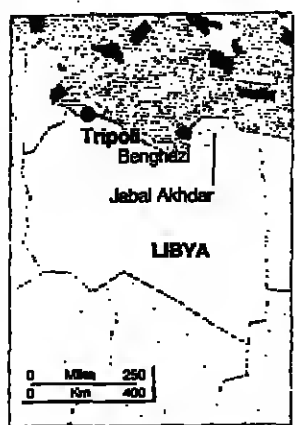
Political analysts warn against jumping to conclusions about Col Gaddafi's hold on power after a case of football hooliganism took on a political dimension. But the riot points to rising frustration among Libyans as well as to overreaction by security forces.

The discontent is partly the result of a worsening economy, which could soon be exacerbated by new US unilateral sanctions on companies investing in Libya.

Opposition groups outside Libya have largely been ineffective in putting pressure on Col Gaddafi but a younger more vigorous group of Islamists, motivated by ideas of "holy war" against a leader they see as non-Islamic, have recently challenged the regime by causing frequent unrest in the east of the country around the port of Benghazi.

Mr Ashur Shamis, a London-based opponent of the Libyan regime who publishes the Arabic-language Libya News, says

Libya's economic worries feed discontent



that although the Islamist campaign does not pose a threat to the regime, the militants have succeeded in raiding weapons depots. They are believed to belong to different groups, only two of whom have so far declared their existence by claiming responsibility for attacks. Earlier this month, the Libyan authorities announced that they would carry out military exercises in Jabal Akhdar (Green Mountain), an eastern area known to be an Islamist hideout.

The militants should have no shortage of recruits. Libya's nearly 5m population (including about 1.5m foreign workers) is growing at a rate of 3.6 per cent, according to the World Bank, and half this fast-growing population is under 15 years of age.

UN sanctions banning international travel and the sale of

military, aviation and some oil industry equipment were imposed on Libya in 1989 after Col Gaddafi's refusal to hand over two suspects wanted in connection with the 1988 bombing of a US airliner over Lockerbie in Scotland.

The sanctions are a nuisance to both government and population. They have delayed some investment in the oil industry and contributed to a rise in inflation by increasing the cost of imports.

But it is Col Gaddafi's economic policies and the fall in oil prices that have led to a deterioration in day-to-day economic life. The country still receives some \$7bn a year in oil revenues, but the funds have often been used in prestige projects that have created little employment.

Col Gaddafi's whimsical moods are such that he pro-

notes the private sector one day, then closes private businesses a year later. Moreover, Libyans' purchasing power has been eroded by a decade-old freeze on public salaries at a time when the parallel exchange rate, quoted for much of what they buy daily, has plummeted.

What happens to the economy and the likely political fallout will depend in part on how international oil groups interpret the latest move by the US to tighten sanctions against Tripoli.

On the surface, US policy towards Libya appears as rigid as that applied to Iran, Washington's arch-enemy in the Middle East. The latest unilateral legislation passed by the US Congress gives President Bill Clinton the same broad menu of options with which to retaliate against foreign com-

panies that invest in new projects. US officials also want to tighten UN sanctions. Closing loopholes in the oil equipment ban and identifying additional Libyan overseas assets which could be frozen are two steps that will be considered in the next sanctions review.

In addition Mr Clinton has told the families of the victims of the Lockerbie disaster that he supports a full oil embargo against Libya.

But the tough public line is not always repeated in private diplomatic discussions with US allies. This is especially so with those European countries whose companies are active in the Libyan oil sector, or which rely on oil imports from Libya.

The administration was noticeably silent during the recent congressional debate on adding Libya to legislation aimed at Iran. US officials say

they fear that the imposition of more unilateral sanctions could undermine the multilateral regime, which they claim has been "fairly effective" in persuading Col Gaddafi to relent on the issue of handing over the two Lockerbie suspects for trial. Officials say the administration also recognises that there is no support at the UN for a full oil embargo.

But international oil companies operating in Libya have nonetheless been watching the latest US legislative moves with intense interest. Few believe that any new law would hamper them from developing existing reserves or discoveries.

UN sanctions have, however, deterred some companies from entering Libya.

"The oil and gas sector in Libya is grossly under-invested," says Mr Jerry Kepes, an economist with the Petroleum Finance Company in Washington. He predicts that a sanctions-free Libya could double current oil production of 1.4m barrels a day within three to four years. But current levels of investment are only likely to keep Libyan output close to its Opec quota.

Western diplomats in Tripoli say it is premature to predict any serious upheaval in Libya. But the country is so dependent on oil that tighter US sanctions that cripple future investment will add to the economic pressure and heighten the discontent.

Roula Khalaf and Robert Corzine

INTERNATIONAL NEWS DIGEST

Riddle of camp's missing refugees

Some 2,000 Sudanese refugees have disappeared from a camp in northern Uganda after at least 90 were killed by Christian fundamentalist rebels last week. Uganda's defence ministry said yesterday the refugees had either been abducted or had fled in the wake of the attack. The ministry confirmed that the attack on Acholipi camp near the northern district of Kitgum was carried out by the Sudan-based Lord's Resistance Army, a group that wants to rule Uganda in line with the Biblical Ten Commandments.

Acholipi was home to 16,000 refugees, some of the 210,000 Sudanese refugees in northern Uganda who fled the civil war between southern rebels and Khartoum's Islamic-backed government. The ministry said Kampala had sent in troop reinforcements to deal with the biggest threat posed by the rebels since they began their war in 1987. Reuter, Nairobi

Iraq relents on weapons sites

International weapons experts have been able to inspect a number of sites that Iraq deems sensitive, a UN arms official in Baghdad said yesterday. The searches, which were not impeded by Iraq, were the first since Baghdad and the UN Special Commission (UNSCOM) defused a crisis over access last month.

Iraq and UNSCOM reached an agreement on June 22 for unconditional access to sites for UN inspection teams. The accord resolved Iraq's latest row with the UN Security Council over access to four Republican Guard facilities that Baghdad said were vital for its national sovereignty.

The sanctions on Iraq include a ban on all exports. The removal of oil export curbs, other than limited sales permitted by UN for humanitarian purposes, largely depends on testimony by UNSCOM that all Iraq's chemical and biological weapons and long range ballistic missiles have been destroyed. Reuter, Baghdad

UK calls for action on terrorism

Britain is urging its Group of Seven partners to adopt a legal instrument laying down that those who abet, sponsor or incite terrorism should not benefit from the 1951 convention which guarantees the rights of refugees. UK officials said yesterday. The UK proposal - which would involve a tougher interpretation of the convention, but not an amendment - was being aired yesterday at a meeting of experts from the G7 in Paris.

The proposals have been prompted in part by British embarrassment at the presence in the UK of Mr Mohammed al Massari, a Saudi dissident.

At the time of the bombing last month of a US Air Force personnel complex in Dhahran, Saudi Arabia, Mr Massari appeared to sympathise with the bombers' motives while not condoning the attack. Bruce Clark, Diplomatic Correspondent

Two die in Somali faction clash

Two people were killed and five wounded yesterday by mortar bombs fired during a clash between rival Somali factions led by Mr Mohamed Farah Aided and Mr Osman Hassan Ali Atto. Fighting between the two militias has killed 40 and wounded 65 in the Somali capital since July 9. Somalia has remained without a government since late dictator Mohamed Siad Barre was ousted from power in 1991.

Mr Aided and his main rival Mr Ali Mahdi Mohamed, Atto's ally, both lay claim to the presidency of the country. Reuter, Mogadishu

Cairo hosts peace talks prior to Netanyahu visit

By Shahira Idriss in Cairo

President Hosni Mubarak of Egypt held talks in Cairo yesterday with Mr Abdul-Karim al Kabarti, the Jordanian prime minister, and Mr Farouk el-Shara the Syrian foreign minister, to discuss the Middle East peace process ahead of a visit by Israeli prime minister Mr Benjamin Netanyahu.

Mr el-Shara said he was delivering a message from Syria's President Hafez al-As-

ad to President Mubarak concerning "consultations and co-ordination between the two countries, and a follow-up of decisions made by the Arab Summit in Cairo." He declined to say whether he would ask President Mubarak to pass on the Syrian proposals to Mr Netanyahu, who arrives in Egypt tomorrow.

A number of issues have raised Arab concerns over the future of the Arab-Israeli peace process: the Israeli prime min-

ister's rejection of the land-for-peace formula; negotiations on the future status of the city of Jerusalem; plans for the expansion of Jewish settlements in the West Bank; and a refusal by Israel to withdraw from the Golan Heights. The concerns have triggered a flurry of Arab diplomacy in an effort to co-ordinate a common Arab position.

Mr Yassir Arafat, the Palestinian president, refused to meet Mr Dore Gold, the Israeli

prime minister's senior political adviser, following talks with the Egyptian president on Saturday.

In an effort to persuade Russia, the co-sponsor with the US of the peace process, to take a more active role, Mr Mubarak has sent a letter to President Boris Yeltsin via his envoy Mr Amr Moussa, the Egyptian minister of foreign affairs.

Ms Judith Goldenberg, a US Department of Defence official, was stabbed to death in Cairo

Monday night as she was entering the Semaraxis International Hotel in Cairo.

Mr Rick Roberts, the press attaché at the US embassy, said there was no indication that Ms Goldenberg had been deliberately targeted. "That was a random act of violence, she was unfortunately... the wrong person at the wrong time," he said.

Egyptian police said the culprit was mentally disturbed and had been released from a psychiatric hospital on June 10. Ms Goldenberg had come to Cairo just four days ago on "temporary duty assignment" at the US embassy there as a replacement for staff taking summer holidays, Mr Roberts added.

E Europe investment grows strongly

By Frances Williams in Geneva

Foreign direct investment in eastern Europe continued to grow strongly last year, despite impending elections in several countries and economic uncertainties.

The latest FDI figures for the region compiled by the United Nations Economic Commission for Europe show that Hungary remains the favourite location for foreign investment, with an FDI stock of nearly \$11.2bn in late 1995.

However, FDI inflows to Hungary appear to be slowing while those to other countries in the region are increasing rapidly.

Overseas investment into the Czech Republic, the region's second most popular destination for FDI, surged 86 per cent last year to total \$5.6bn on January 1 1996.

The FDI stock in Russia, third in the investment league table, climbed by more than 50 per cent to \$5.5bn at the beginning of this year, following a similar increase in 1994. The stock of foreign investment in Ukraine jumped 67 per cent in 1995 to reach \$750m on January 1 this year.

Figures for Kazakhstan, where the FDI stock rose 88 per cent in 1995, show that 45 per cent of total foreign investment of \$2.6bn was in the mining sector, overwhelmingly in oil and gas extraction. Tobacco and metallurgy accounted for 37 per cent and 10 per cent respectively, with mining representing more than 90 per cent of all FDI in Kazakhstan to date.

Nearly 40 per cent of last year's investment went to domestic Kazakh enterprises in deals in which foreign companies were given management contracts.

In Croatia, foreign investment has been spread around many small companies. Germany is the biggest investor in the former Yugoslav republic, accounting for a third of the total FDI stock.

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Apec pledges to work for freer trade

By Bethan Hutton in Christchurch

Asia-Pacific trade ministers yesterday reaffirmed their commitment to further trade liberalisation and to working towards successful World Trade Organisation talks in December despite nagging bilateral trade disputes between members.

The closing statement of the two-day Asia Pacific Economic Co-operation forum stressed the group's commitment to

"open regionalism in support of the multilateral trading system."

However, an official from the Philippines, which holds the Apec chair, said further discussion was needed over whether tariff measures proposed in individual action plans should be implemented on a most-favoured-nation basis, applying to all WTO members, or only on a reciprocal basis with non-members.

The meeting did not make significant progress in three

sensitive items of unfinished business from the Uruguay Round - financial services, basic telecommunications services and maritime transport. Further negotiations are planned.

The US delegation was pleased with the response to a proposal for an information technology agreement (ITA) leading to zero tariffs on computers and telecommunications equipment.

"We made extraordinary progress," said Ms Chariene

Barshtetsky, the US trade representative. "There is widespread consensus among the members that this is an area that should be looked at."

Talks on the sensitive issue of semiconductor trade between the US and Japan failed to reach a conclusion and are expected to resume before the July 31 deadline.

The US wants a transitional arrangement involving government monitoring to prevent backsliding from the market share levels achieved under

the 1991 chip agreement which expired at the end of July. The Japanese say US proposals amount to managed trade and are inconsistent with WTO rules.

Both the US and Japanese representatives held separate talks with the Indonesian trade minister over plans for an Indonesian national car. Leading car-producing countries are concerned that Jakarta's preferential tax treatment for the favoured manufacturer breaches WTO rules.

Brazil and Venezuela find togetherness

Long lost neighbours are developing strong links in trade and energy

As if only recently discovering that they are neighbours, Brazil and Venezuela are embarking on a fast-track towards energy and trade integration, leaving behind decades of geographic and political separation.

Though still modest for a combined market of 180m people and gross domestic product of more than \$700bn, trade between the two countries has grown significantly in the past two years from a total \$763m in 1993 to \$1.3bn in 1996.

At centre stage of prospective bilateral trade is energy integration. Last year Venezuela exported 113,000 barrels of crude oil to Brazil, becoming its third largest supplier after Saudi Arabia and Argentina. "Brazil is the continent's industrial power. Venezuela is its energy power. It's a natural partnership which must be developed," says Mr Toro Hardy, director of Venezuela's state oil company PDVSA.

Mr Claus Graf, another PDVSA director, said Venezuela planned to supply Brazil with 450,000 barrels of crude a year within a decade.

Several of the dozens of potential trade and energy projects identified during the recent visit of Venezuelan President Rafael Caldera to Brazil are beginning to crystallise.

PDVSA and Brazil's state oil company, Petrobras, have agreed on a joint venture to construct a 200,000 bpd oil refinery at an estimated cost of \$1.5bn-\$2bn in northern Brazil. Negotiations are still under

way to determine the participation of PDVSA, which, like Petrobras, is said to be hesitant to make large, front-load investments with long-term returns, thus opening the possibility of third-party investors.

"The market is there but it's a large investment and we're looking at its potential returns and mechanisms of financing," says Mr Ramon Espinosa, chief economist at PDVSA's planning division.

According to Mr Graf, the technical studies are ready and details should be agreed by the end of this month or early next. Yet to be decided is whether the crude oil, half of which would probably come from Venezuela's increasingly productive oil fields in the eastern states of Azuategui and Monagas, would be shipped to the refinery by water or pipeline.

Advanced talks are also under way between the two state-owned electricity companies, Electrobras and Edcelca, to tap the combined 13,000MW power-generating capacity of the Guri and Macagua hydroelectric plants on Venezuela's Caroni river.

Venezuela's Edcelca has proposed a 1,500km transmission line across the border to Boa Vista and Manaus at an estimated cost of \$450m. Brazil's initial energy demand for the region is estimated at 500MW and later at 1,000MW.



structure. Hitherto cut off by the vast Amazon river basin, the two countries are to be connected by a proper paved road only next year, when a 450km stretch between Manaus and the frontier town of Boa Vista will be completed, thus linking by road two of South America's largest rivers, the Amazon and the Orinoco.

Construction of the road, which passes through a native Indian reservation, is to be financed by the Andean Development Corporation (CAD).

Yet despite rudimentary transport conditions, Venezuelan products shipped by land have begun to hit the markets of north-eastern Brazil. Trucks loaded with petrol, steel products, motor oil and cement embark on the two-day journey from Ciudad Bolivar to Boa Vista and then Manaus.

Brazil's north-eastern export potential lies in the Manaus free-trade zone, which, according to the Brazilian embassy in Caracas, accounts for 80-90 per cent of the country's electron-

ics production and has an annual turnover of \$10bn.

The economies of strengthening trade and energy links between southern Venezuela and northern Brazil make sense. Brazil's north-eastern states with an estimated 20m people are much closer to Venezuela's urban and industrial centres than Brazil's, and transport costs can be reduced significantly.

Caracas also has its sights set on business opportunities in the four-nation customs union Mercosur, which groups Argentina, Brazil, Paraguay and Uruguay. President Rafael Caldera said that negotiations allowing Venezuela's entry could conclude before the end of the year.

Other recent moves by Venezuela indicate the country is moving in to the centre stage of South America's energy integration, as outlined during the Americas Summit in Miami in December 1994.

Given that Venezuela's oil production will grow enormously in coming years, says Mr Espinosa, there is sufficient capacity to develop the Latin American energy markets.

Although only 34 per cent of PDVSA's output is currently being marketed in Latin America, Mr David Escobedo, PDVSA's head of planning, foresees enormous growth potential in the region.

"It makes sense to supply those that are close to us and it's often a better deal for both," he says.

Raymond Collett

WORLD TRADE NEWS DIGEST

US loses Nafta tariff dispute

A dispute settlement panel set up under the North American free trade agreement has dismissed a US complaint against import tariffs imposed by Canada to protect dairy, poultry and egg producers. The tariffs, some as high as 351 per cent, were introduced last year in line with Ottawa's commitments under the Uruguay Round of multilateral trade negotiations to replace quotas and other non-tariff barriers.

The tariffs, a linchpin of Canada's farm "supply-management" system, are due to be reduced by at least 15 per cent by 2001. However, the US contended the move violated Nafta, which prohibits new customs duties between the US, Canada and Mexico. According to a Canadian official, the five-member panel unanimously rejected the US arguments in an interim, confidential report.

The decision, which falls under Article 20 of Nafta rather than the more commonly used Article 19, cannot be subject to appeal. However, the two governments have been invited to submit comments within the next two weeks for the panel's final report, due in mid-August. Bernard Simon, Toronto

EU sets aside WTO complaint

The European Union yesterday decided to drop its request for a World Trade Organisation dispute panel following confirmation that the US had lifted punitive tariffs on nearly \$100m of EU food and drink exports.

The tariffs, imposed in 1988 in retaliation for the EU's ban on hormone-treated beef, were scrapped with effect from Monday morning. US officials told a meeting of the WTO's dispute settlement body.

However, Brussels has not formally withdrawn its complaint and EU officials said yesterday the EU reserved its rights to recoup the disputed beef if necessary. Washington has already secured a WTO panel on the hormone ban which is widely expected to rule in its favour. Frances Williams, Geneva

Burma opens banking sector

Burma is now accepting proposals for joint ventures in the banking sector, a senior finance official said yesterday. Any of the 42 foreign banks which have a representative office in the country can join with one of the 15 domestic private banks to set up a new financial institution. The official said regulations governing the shareholding structure and scope of activities of these joint-ventures would not be issued, but rather proposals would be considered on case by case.

Two memoranda of understanding, one between Thai Farmers Bank and Asia Wealth Bank and another between Siam City Bank and Myanmar Citizen Bank, have already been signed but authorities have not received their proposals yet.

The official added that a new securities law, which would help the implementation of an over-the-counter stock market, was being submitted to the Attorney General's office today for consideration. Ted Bardach, Rangoon

BICC, the UK-based cables and construction group, is to invest around \$15m in a fibre optic cable plant to be established in Subic Bay Freeport in the Philippines. Mr Timothy Kaye, BICC planning director, has signed a contract with the Subic Bay Metropolitan Authority for the lease of a 1.1 hectare site. He said the factory would produce high technology cables for connecting and transferring data between computers. BICC's objective is to expand its cables business in the Asia Pacific region to sales of more than \$700m by 2000. In 1990, sales in the region amounted to \$122.6m and by 1994 turnover was \$265m. Alan Cane, London

Budget deficit forecast drops to \$117bn

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NEWS: ASIA-PACIFIC

ASIA-PACIFIC NEWS DIGEST

Budget warning for Australia

Plans by Australia's coalition government to slash A\$8bn (\$4.1bn) from federal spending over the next two financial years might not be sufficient to achieve a balanced budget, Mr Peter Costello, federal treasurer, warned yesterday.

But Mr Costello still appeared to rule out any rethink of the government's campaign pledge not to raise taxes, or introduce new levies. The treasurer's comments came as official figures showed Australia ran up a A\$10.3bn "underlying" federal budget deficit during the 1995/96 fiscal year, which ended on June 30.

The deficit equals 2.1 per cent of GDP. The "headline" deficit, which allows for asset sale proceeds, stood at A\$6bn, against the A\$200m predicted in March.

Beijing threat over Dalai Lama

This week's visit by the Dalai Lama to the UK would have "adverse effects" on bilateral relations, China has warned. The Tibet group of the UK parliament, which had invited him, was supporting and abetting his efforts to split Tibet from China.

Deng's health good, says China

China yesterday tried to end rumours that its ageing patriarch Deng Xiaoping was near death. A foreign ministry official said Mr Deng was in good health; it was hoped the rumours would not be allowed to disrupt his "peaceful life after retirement".

New Hong Kong trade chief

Mrs Regina Ip, Hong Kong's director-general of trade and industry, will take over as director of immigration following the surprise resignation of Mr Laurence Leung earlier this month, the Hong Kong government announced yesterday.

Four die after 4,000 Japanese children struck by bacterium first traced to eel sushi

Tokyo unit to tackle food poison deaths

By William Dawkins in Tokyo

The Japanese government yesterday set up a crisis unit to curb the worst outbreak of food poisoning in the country's history, after four people died and more than 4,000 children were made ill.

element of the Japanese respect for purity, and has been at the centre of national concern for several days. Producers of household sterilising products yesterday reported panic buying, as consumers all over the country sought to cleanse their homes and protect themselves against infection.

human intestines. It adds a sombre dimension to a former trade minister's contention that Japanese inwards have unique qualities. The outbreak began in schools in Okayama, southern Japan, in May and took hold early this month in Sakai, a middle-sized town in the Osaka area, where 1,300 cases have emerged.

Health ministry officials were yesterday checking sanitary procedures at suppliers of raw materials for the lunches at the schools concerned. In most cases, schools make up lunches from food supplied by wholesalers. The ministry

is also preparing tougher sanitary measures in an attempt to curb the outbreak. "We have to keep vigilant," said Mr Mitko Okuda, education minister, who has called for tougher school food inspection rules. The bacterium was first detected in Japan six years ago, when two children died and 270 were made ill from contaminated well water. Over 1,800 cases were recorded until this latest outbreak, confined to small areas, rather than sweeping throughout Japan. It was first detected in the US in 1982, when hundreds were made ill by tainted hamburgers.

Seoul to raise \$25bn for transport hub

By John Burton in Seoul

The South Korean government yesterday approved financing plans for the construction of five massive infrastructure projects costing \$25bn (£16bn) by 2001.

The projects, aimed at transforming South Korea into a transport hub for north-east Asia, include what would become the country's biggest international airport, a high-speed rail system, and three container ports.

Vietnamese debt tarnishes decades of comradely ties

The stalemate over repayment of roubles to Moscow is likely to dominate relations with Hanoi for years. Jeremy Grant reports

It is late afternoon at the Technocentre, a vast Soviet-built compound in a dusty suburb of Hanoi. The place is deserted, but for a Russian couple playing tennis and a few Volga saloons in the car park.



Soviet legacy: Children play on Hanoi's Lenin statue.

Roubles to the dollar respectively, which the Vietnamese say puts the Russian debt at about \$1.5bn. Every three months or so, delegations of specialists from Moscow arrive for talks in Hanoi.

But there is still stalemate, despite an offer made in January by Moscow to write off about half the debt on condition that Hanoi agree to its exchange rate terms. A latest round of talks set for April was cancelled by the Vietnamese without explanation.

In the heyday of Communist ties between Moscow and Hanoi, the complex was planned as a showcase vehicle repair base designed to house about 300 Soviet "experts". But the Soviet Union disintegrated before they arrived to take up their posts. Five years later, the two governments still cannot agree on what should become of its 80 apartment blocks, garages and mused offices.

Meanwhile, the Russians earn extra cash by renting some of the flats to South Korean businessmen. Decades of comradely ties may have left their mark on Vietnam architecturally as well as linguistically - about 30 per cent of Vietnamese speak Russian - but they have done little to help the two countries forge a new partnership based purely on business. Nor have they provided a way out of the issue that divides them most - debt.

Russian businessmen and diplomats often complain privately that doing business with Vietnam was always tough. But times have changed. Strategically, Vietnam is no longer important to Moscow as a socialist outpost in south-east Asia. For its part, Hanoi is more interested in fostering ties with richer partners such as the US, the European Union and the Association of South East Asian Nations (Asean), which it joined last year.

Indeed, this warmth occasionally spills over into other areas. Some state-run newspapers in Vietnam followed the electoral fortunes of Mr. Genady Zyuganov, the Communist presidential candidate in the Russian presidential election, with considerable zeal. One even referred to him as "Comrade". Meanwhile, someone at the Russian embassy in Hanoi has forgotten to reprogramme the fax machine to take account of changed times. The imprint at the top of all its faxes still reads: "USSR Embassy".

Yet the Soviet legacy is very much in evidence. A statue of Lenin still stands in a park opposite Hanoi's military museum. A few streets away, tourists shop for cheap Russian watches bearing the hammer and sickle insignia. Vietnam's largest power station, the Hoa Binh ("Peace") plant, still supplies most of the country's electricity. Of the roughly 8,000 Soviet citizens stationed in Vietnam before 1991, about 2,400 remain, most employed at the a Russo-Vietnamese oil exploration joint venture which produces most of Vietnam's crude oil.

At Cam Ranh Bay, a large naval facility on the southern Vietnamese coast that once gave the Soviet fleet strategic access to the South China Sea, the Russians still maintain a few hundred personnel. Much of the debt that divides them is tied up with some of the showcase projects that Moscow so enthusiastically supported in the past. Vietnam has cut separate debt deals with most of the former Soviet republics, leaving about \$10.5bn owed to Moscow, which amounts to just \$1.32bn at the present exchange rate. The problem is that neither side can agree on an appropriate dollar-rouble exchange rate, needed before a rescheduling.

Conflicting interests sharpen in Philippines Moslem zone

By Edward Luce in Manila

Political opposition to a Muslim autonomous zone in the southern Philippines intensified yesterday as government ministers threatened to sack local officials for flying the national flag at half-mast.

Mindanao: the main investors. A table listing various investors and their interests in Mindanao, including Western Mining Corporation, TVI Pacific (Canada) gold mine, Del Monte fruit plantations, San Miguel brewery, and others.

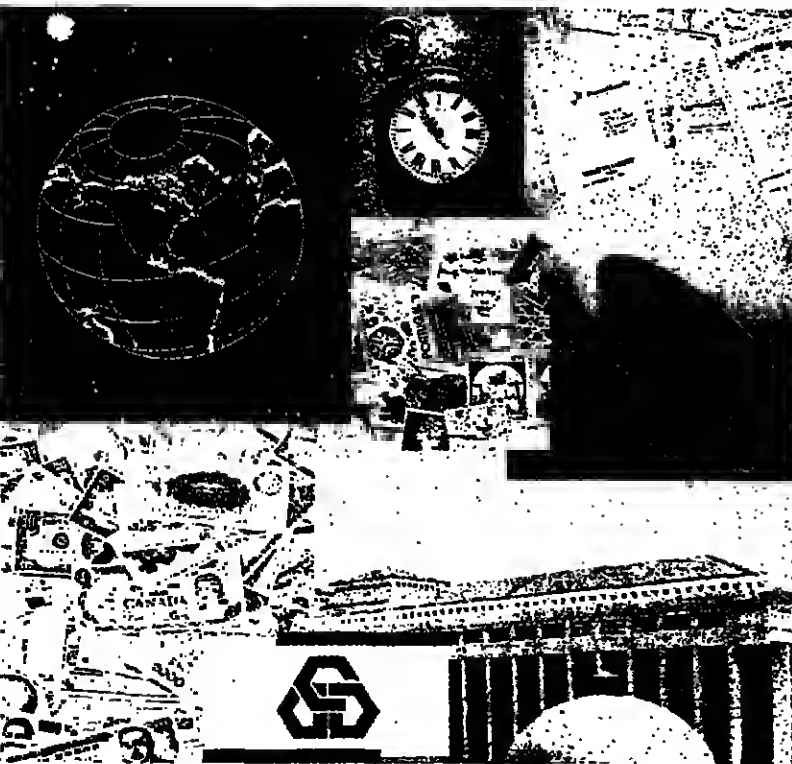
strongest economic link to the country's Moslem neighbours. "The move towards a negotiated autonomous zone will be a big plus point for Eaga," said Mr Ernesto Peralta, an economist at the Asian Development Bank in Manila.

Under the deal, Mr Nur Misuari, head of the Moslem Moro National Liberation Front, which has been fighting government forces since 1972, would become chairman of the autonomous council for three years, after which a plebiscite would be held to determine which provinces would be included in a permanent autonomous structure.

potentially fast growing part of the country. Other investors, including Del Monte, the fruit company, and Ekran Berhad, the Malaysian group building a luxury resort in Mindanao, are reported to have welcomed moves to settle the long-standing conflict that has claimed an estimated 50,000 lives since 1972.

As the Philippine portion of the East Asian Growth Area (EAGA), a free-trade "growth triangle" which also includes parts of Malaysia, Indonesia and Brunei, Mindanao is considered the Philippines'

Achieving the deal has been a long-standing priority of the administration of President Fidel Ramos. Mr Ramos has said he will take a strong stand against extremist Christian opponents of the autonomous zone. In a twist considered unimaginable 12 months ago, Mr Misuari will campaign under the banner of the ruling Lakas party in the autonomous elections to be held in September.



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Vertical text on the right edge of the page, including "New re...", "PSBR growth at odds with forecast", and "Manager".

Scientists find gelatine and tallow exports may fail tightened safety standards New research may prolong beef ban

By Neil Buckley in Brussels, Lionel Barber in Strasbourg and Roderick Oram in London

New scientific evidence could delay the lifting of the ban on exports of gelatine and tallow derived from UK beef, the European Commission warned yesterday.

Although agreement on lifting the ban was reached last month, it remains in place because the conditions attached - including stringent processing standards designed to destroy bovine spongiform encephalopathy or mad cow disease - have not been met.

But analysis of research into the safety of gelatine manufacturing has suggested that even those conditions may not be strict enough.

The commission's BSE subgroup has already expressed concern about the findings, which will be discussed further by the commission's scientific veterinary committee within the next few days.

If these and European Union states' specialists in the standing veterinary committee agree that standards need to be tightened, officials warned that last month's decision to lift the gelatine ban could be revoked.

pending agreement on new conditions. Although that would not delay the process of lifting other elements of the worldwide ban on exports of UK beef and beef products, it would be a political setback for the UK government.

The immediate impact on the gelatine industry may, however, be limited. Gelatine makers are still some way from meeting other conditions for lifting the ban, and have switched to using non-UK beef. Mr Jacques Santer, the president of the European Commission, yesterday rejected charges that the Brussels executive covered up the risks of BSE through disinformation.

He told MEPs in Strasbourg that an internal memo, warning that some people in the commission and member states were trying to suppress the first cases of BSE, was a spoof.

Mr Santer was reacting to a letter from Mr Klaus Haensch, the president of the European parliament, which called for a response to reports that the commission and EU veterinary experts were aware as early as 1990 of the risk of BSE spreading to humans.

● A glut of frozen peas and ice cream is hampering UK

government efforts to find commercial cold storage for the carcasses of thousands of cattle being slaughtered under its beef-cull scheme. The wet summer has depressed demand for ice cream and manufacturers have about 10,000 tonnes more in cold storage than at this time last year. A 20 per cent increase in the pea harvest has also increased pressure on cold storage space.

Pentagon urged to back Lockheed

By Bernard Gray, Defence Correspondent

Intensive negotiations are going on in Washington in an effort to persuade the Pentagon to back Lockheed Martin's bid for the £2bn (\$3.12bn) programme to replace UK maritime patrol aircraft.

Lockheed is pressing the Pentagon to write to the UK Ministry of Defence saying that if the UK buys the Orion 2000, which Lockheed is developing with GEC, then the US will back the aircraft for its replacement maritime patrol needs.

Currently British Aerospace is leading the competition with its proposal to update the existing Nimrod jets, and its bid has strong support from the MoD.

However, officials close to the Lockheed programme say that a letter backing the Orion could be drawn up for signature by Mr William Perry, the US defence secretary, or even President Bill Clinton. The letter could commit the US to establishing a joint liaison office on maritime patrol, with the intention of making the Orion 2000 a joint US-UK programme.

If the US bought Orion, it would produce substantial export business for GEC, which would make the electronic anti-submarine warfare system that forms the heart of the aircraft.

However, the Lockheed-GEC team has several hurdles to clear before it can win a Pentagon endorsement. The Pentagon has restrictions which bar it from committing Congress to long-term expenditure on particular programmes.

Any letter is thus likely to be encouraging rather than legally binding. Such offers may not impress Mr Michael Portillo, the UK defence secretary, who has been looking for the US to increase the amount of defence equipment it buys from the UK, to balance British purchases from the US.

The proposed letter may be too late to affect the competition, as the MoD intends to announce the result of the competition before parliament rises on July 25.

Lockheed and GEC have also offered further price cuts and increased work in the UK if the MoD delays a decision for details to be worked out. The Treasury has set out such offers as a reason to delay announcements on the aircraft and two missile contracts until the autumn. Mr William Waldegrave, the chief secretary to the Treasury, is thought to want to cut the MoD's budget. However, Mr Portillo is fighting for an early announcement.

UK NEWS DIGEST

Merger talks for Channel ferries

Three cross-Channel ferry companies - P&O, Stena Line and Hoverspeed - were given the go-ahead by the UK government yesterday to hold merger talks to allow them to compete more effectively with the Channel Tunnel.

Ferry groups operating services between France and England, including the French government owned SeaFrance company, have been engaged in a fierce price war since the tunnel opened in 1994 and have been making considerable losses. A total of 21m passengers cross the Dover Strait each year.

An end to this tough competition but the possibility of higher fares for travellers were signalled yesterday when Mr Ian Lang, the trade and industry secretary, released the companies from undertakings which prevented them from pooling activities, aligning their fares or merging. A Monopolies and Mergers Commission report in 1974 had said that such agreements would work against the public interest - a recommendation reinforced by a further report in 1982.

It is unclear how the competition authorities would rule on any merger application, but the two companies between them have an estimated 50 per cent of the cross-Channel market - P&O with around 30 per cent and Stena with about 20 per cent - while Eurotunnel, operator of the Channel Tunnel, has about 35 per cent. Hoverspeed has 7 per cent. Stena pulled out of a co-operation agreement with SeaFrance last December.

Eurotunnel said the government's decision to free the ferry companies to hold discussions was sensible. "It might strengthen the competition, but it should make for a more orderly market," said Mr John Noulton, Eurotunnel's public affairs director. P&O's shares rose 8p to 50p yesterday while Stena's shares fell 5p to 50p. Eurotunnel fell 1/2p to 107p. Charles Batchelor, Transport Correspondent

PRICE CONTROLS

British Gas plea unheeded

The campaign by some City institutions to persuade Ofgas, the gas industry regulator, to relax its tough draft price control proposals on British Gas appears to have failed, says the company.

British Gas executives say they have seen "no impact" so far of the City's lobbying effort on the thinking of Ms Clare Spotswood, the Ofgas director-general, who is expected to publish final price control proposals next week.

Publication last May of the draft controls for TransCo, the company's pipeline monopoly, caused the British Gas share price to plummet. More than 35,000 protest letters were sent to the regulator by individual British Gas shareholders.

The proposals also caused some institutional investors to challenge her claim that the present pricing formula favours shareholders over consumers by giving them excessive returns on their investment. Robert Corzine

BROADCASTING

BBC calls for borrowing power

The BBC plans to open talks with the Department of National Heritage this autumn on refoam its £200m (\$312m) borrowing limit and winning the freedom to borrow against assets on its commercial activities to fund international expansion.

BBC borrowings, which count as part of the public sector borrowing requirement, are heavily constrained because of an agreement with the government that they should be reduced to zero by the end of this year.

The right to have a new borrowing limit is needed to re-equip the BBC with digital technology. This is in addition to the proceeds the corporation will be able to keep from the privatisation of BBC transmitters. The ability to borrow against the corporation's commercial assets is also needed to fund the acquisition of rights and events for broadcast by BBC Worldwide, the corporation's commercial arm. Raymond Snoddy, World Service war, Page 10

TELECOMMUNICATIONS

Mobile phone row defused

The government has defused a row over the allocation of radio frequencies to mobile telephone operators by giving previously unallocated channels to Vodafone and Cellnet while reserving spare spectrum for Mercury One-2-One and Orange in their existing frequency range.

A key condition in the deal is that Vodafone and Cellnet, the UK's two largest operators with more than 2m subscribers each, will shut down their analogue networks by 2005.

Vodafone and Cellnet intend to use the new channels to develop dual mode business handsets which will operate as wire-free phones within the office and conventional mobile phones outside. The Department of Trade and Industry said yesterday that their plans, taking in eventually the residential sector, would involve the investment of several hundred million pounds in infrastructure over the next few years.

Spectrum in the region used by personal communications network (PCN) operators like One-2-One and Orange became available after consolidation in the industry in the early 1990s. All four operators placed bids for the spare capacity. The DTI said the spare PCN capacity would be allocated to One-2-One and Orange "when they could show a demonstrable need for it". Alan Cane

Saudi launches Oxford college

Philanthropist gives university £20m to found a business school

Oxford University was given £20m (\$31.20m) yesterday by a prominent Middle Eastern businessman to establish a business school - its largest personal donation for 60 years.

At home in his opulent Eaton Square residence, Mr Wafic Said was almost defensive about his generosity to Oxford. "It is always assumed that an Arab with money must be bad," he began, before stressing his "huge admiration" for Britain, "a country which historically has produced so many entrepreneurs and can do so again with the right leadership".

He sees his bequest to found a new Oxford business school as an "important contribution" to that goal. "Oxford has a very special cachet as a centre for the elite. If it is ambitious about business studies, it will become a world class leader."

The Syrian-born businessman is a friend of members of the Saudi royal family and made his fortune there in the oil boom. He now has Saudi nationality - and exhibits all the hallmarks of the grand philanthropist. He collects art, races 30 horses, leads a peripatetic international life, and is resident in Monaco for tax purposes.

"I asked myself, what was it more important to have - a world class business school or another painting on the wall?" he asked. "I have had a lot of success in my life, and I was determined to make a significant contribution to this country, where my wife was born and my children brought up." A former Cambridge student himself, he missed the chance of establishing a business school there. "Paul Judge beat me to it," he admitted with a smile, referring to the fellow multi-millionaire who, five years ago gave Cambridge £2m for a management institute. However, his son graduated



Buying power: Wafic Said chose to have a business school rather than another painting on the wall

from Oxford and he has already made sizeable donations to university appeals. Yesterday's bequest has been four years in the making. When the idea was first mooted by Sir Richard Southwood, then vice-chancellor, Mr Said was interested "but only if I could see that Oxford was deadly serious about MBA programmes and would put the business school at the heart of the city and university."

The university's initial idea had been for an endowment to expand Templeton College, its existing management studies centre on the city's outskirts. "I was anxious the new school should be central and de-linked from Templeton," said Mr Said. It is a goal he has tentatively achieved. His ambitious design for a complex on a city sports ground for 150 MBA students - complete with Roman amphitheatre - is awaiting planning permission.

Named after its benefactor, the business school is being billed as a competitor with the leading US institutions. For this it will require matching staff quality: £2m of Mr Said's £20m will go into a fund to endow posts. "Oxford has to compete with Harvard, Wharton and the Sloan School of Management; it will be educating the future business leaders of Britain and it needs to be able to pay the rate for the job," said Mr Said.

His role in managing the business school will be "minimal". However, he will retain a strong influence through a foundation of 10 trustees - five nominated by him, including Sir Charles Powell, Baroness Thatcher's former foreign affairs adviser, and Lord Alexander, the chairman of National Westminster Bank. A strong supporter of the Conservative party, to which he has donated nearly £300,000

since 1979, Mr Said's views are in close accord with those of his former leader.

Oxford sees the donation as a significant coup, coming after its successful fundraising appeal which raised £340m in six years.

Although several companies and charitable trusts have made multi-million pound donations, Mr Said's personal gift has few recent rivals. Lord Jenkins, the university's chancellor, said the donation would "enable management studies to take off at Oxford in the same way that medical sciences did after Lord Nuffield's generous benefaction given in the 1930s".

He declared that Mr Said had joined "the list of those who have given major endowments to Oxford, and to whom Oxford has given immortality". Cheap at £20m, perhaps. Andrew Adonis

London and Dublin meet over peace crisis

By John Murray Brown in Belfast and John Kempner in London

The British and Irish governments yesterday moved to patch up their differences as Sir Patrick Mayhew, the Northern Ireland secretary, met Mr Dick Spring, the Irish foreign minister, for the first time since last week's riots.

The half-hour discussion in the margins of the multi-party talks at Stormont, was the first attempt to move the peace process forward after last week's

violent scenes surrounding the Orange Order march in Portadown.

While furious at the lack of consultation over the police decision to allow the parade through the Catholic district in Portadown, Irish officials said Mr Spring was anxious not to inflame the row after Mr John Bruton, the Irish prime minister, went public with his criticism of the handling of the crisis.

A senior Irish official described the atmosphere as "cool", but added that if there was to be a row, "it should be at

the inter-governmental conference, not now".

Sir Patrick and Mr Spring will meet tomorrow in a full ministerial session, which will be attended by Sir Hugh Amessley, the chief constable of the Royal Ulster Constabulary, who will be asked to explain his actions last week.

In the Commons, Mr John Major, the UK prime minister, told MPs that the governments and parties had a responsibility to ensure that last Saturday's bomb in Rinniskillen - the first in the

province for two years - did not "relaunch the cycle of violence that has so scarred life in Northern Ireland over recent years".

Mr Major urged loyalist paramilitaries not to retaliate by ending the ceasefires called in October 1994.

Meanwhile, the British army announced that it was withdrawing more than 500 soldiers who had been flown to Northern Ireland at the height of the Drumcree crisis last week. Armed forces chiefs said they had sufficient forces to back up the RUC.

BAA told to cut airport charges

By Michael Stapiniker, Aerospace Correspondent

The Monopolies and Mergers Commission said yesterday that BAA, the airports group, should make real cuts in landing and take-off charges at London's Heathrow and Gatwick airports over the next five years.

The MMC said, however, that BAA could increase charges at Stansted, the smallest of its London airports. It also held out the prospects of increased

charges at Heathrow and Gatwick between 2002 and 2007.

The MMC and the Civil Aviation Authority - which is required to implement the proposals - rejected a suggestion made earlier this year by the House of Commons transport committee that Gatwick and Stansted be placed in a separate company from Heathrow to encourage competition.

A proposal that Heathrow Airport's planned fifth terminal should be put out to

public tender was also rejected.

The MMC said it could only recommend that BAA be broken up and terminal five put out to tender if the existing set-up could be shown to be contrary to the public interest - if it could not.

Sir John Egan, BAA's chief executive, said that restricting charges would place a heavy burden on the group. The City accepted that the ruling could have been far worse. BAA was one of the few large companies whose shares rose

yesterday - up 16p to 493p.

The commission recommended that landing, take-off and aircraft parking charges at Heathrow and Gatwick be allowed to rise by no more than three percentage points less than the retail price index during 1997-2002. Charges during 2002-2007 should be allowed to rise by inflation plus two percentage points.

It said charges at Stansted should be allowed to rise by 1 percentage point above inflation during 1997-2002.

Managers 'failing to find growth switch'

By Peter Marsh

Industrial managers in Britain lack skills at expanding their businesses, according to Mr Allen Yurko, the US chief executive of Siebe, the UK-owned engineering group.

"Britain is one of the most difficult places in the world to turn on the growth switch [in industry]," Mr Yurko said in an interview with the Financial Times.

Siebe, one of the country's largest engineering concerns, has expanded rapidly in the past five years to register annual sales of more than £3bn (\$4.65). It is one of the

UK's top 50 companies ranked by market capitalisation.

The company has tried to counter what Mr Yurko contends is a cultural problem with an incentive scheme for its executives. This gives bonuses to those whose divisions achieve 10 per cent annual sales growth.

"The UK is an excellent place for manufacturing but on the whole UK managers are not manufacturing managers," says Mr Yurko. "They are restructurers. This is necessary, but at some point [in industry] you need to grow."

Mr Yurko also said Siebe

was suffering from a shortage of top-flight engineers in the UK, due to engineering "not being thought of as a glossy thing to do".

The company's controls division last year advertised for 150 engineers, offering salaries of between £20,000 and £75,000. It filled only half the vacancies.

The executive's comments are likely to fuel the debate about the degree to which UK companies can emulate some US companies - such as Hewlett-Packard and Compaq - and achieve high growth rates over a long period.

Of Siebe's 42,000 employees, about 5,000 are in the UK -

which accounts for just 8 per cent of total sales as part of a deliberate strategy of internationalisation.

Mr Yurko's remarks indicate that he thinks the company's expansion could have been greater were it not for the UK management culture - which in the past, he says, has "not been growth oriented".

In the past decade, Siebe has spent about £1.6bn on acquisitions, helping it to leap from annual sales of about £200m in the mid-1980s. It is one of the world's top manufacturers of control systems for large process plants and for domestic appliances.



Allen Yurko: engineering 'not seen as a glossy thing to do'

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COMMENT & ANALYSIS

Edward Mortimer

As separate as ever

Social engineering in Northern Ireland has reached its limits. It is time to give power back to the politicians



Perhaps the only person entitled to derive some bleak satisfaction from last week's events in Northern Ireland is Mr Conor Cruise O'Brien, the former Irish cabinet minister who is now a "UK Unionist" member of the Northern Ireland Forum elected last month to discuss the future of the province. For those events conformed - not exactly, but closely enough - to the dire predictions he made at the time of the IRA ceasefire two years ago.

During those 24 years since March 1972, Northern Ireland has been under "direct rule" from Westminster for all but the five months of the power-sharing executive in 1974. Ministers and officials in the Northern Ireland Office have been able to use public policy, and public spending on a scale not permitted elsewhere in the UK, to conduct a bold experiment in social engineering.

● Catholic schools now get 100 per cent public funding. Instead of having to find 16 per cent of capital costs from their own resources. Integrated schools have at last been brought within the public education system (though they still only cater for 2 per cent of the school population).

● The rising proportion of Catholic students in the province's two universities has "effectively removed" higher education "from the agenda of minority grievances".

The Protestant majority in the province, rallied by a "peace process" which in their eyes means constant British retreat and creeping Irish annexation, has rallied behind an uncouth and menacing reminder of their historic supremacy: the Orange Order marches. And the Republican movement (Sinn Féin-IRA), having used the ceasefire to increase its electoral support, is now exploiting the breakdown of public order which it helped engineer to re-legitimise itself as an armed defence force in the eyes of the Catholic minority.

● The public sector and most other big employers in Northern Ireland have made great efforts to raise their proportion of Catholic workers, bringing it close to the Catholic-Protestant ratio in the adult population in jobs monitored by the Fair Employment Commission.

● The 1988 Fair Employment Act, which established the Commission, also provides remedies in cases of religious or political discrimination, which have been abundantly and successfully used. While unemployment among male Catholics remains more than twice as high as among male Protestants, it has become

more difficult to blame that on direct or even indirect discrimination.

This takes the province back, not just to the situation before the ceasefire, but to something like the late 1960s and early 1970s, when the two communities confronted each other directly in the street. Since then a more organised confrontation between the IRA and the British army, with interventions from loyalist paramilitaries, had allowed ordinary people to dissociate themselves from the "men of violence" on both sides.

● The government has doled out financial support to cultural, social and sporting associations of almost any kind, provided they can show a cross-community character. Initially it tried as far as possible to play down group identities, treating Protestants and Catholics as interchangeable citizens.

● The social engineering of the last 24 years has been well intentioned and in many respects admirable. But it has not solved the problem, and probably cannot. In one crucial respect it has made things worse, by taking responsibility away from Northern Ireland's elected leaders, leaving them only the politics of protest.

● Last week the unionists demonstrated their power in a way which may have been intended to reassure Ulster's Britishness but actually alienated the British public and undermined the authority of the UK state. The Royal Ulster Constabulary backed down, and the prime minister has endorsed its capitulation to what he himself previously called "mob rule".

Thus what failed last week was not just the peace process, in the sense of official efforts to restore the ceasefire and build a political settlement through all-party talks. More important, and more depressing, was the demonstration that 24 years of patient effort to remove the causes of resentment, and to cultivate peaceful coexistence and mutual respect between the communities, have not really dented the intractable nature of the conflict.

Britain can no longer even maintain order there, because so-called unionists have lost faith in the Union and do not accept its authority

But since the early 1960s it has shifted the emphasis to the cultivation of pluralism, recognising distinct religious or political identities as worthy of equal respect. Thus there has been financial backing for Irish-language schools, acceptance of Irish street signs in some areas, and increased support for festivals and activities traditionally associated with one or other community.

Direct rule has brought about many desirable changes, but it has reached its limits. The time has come for Northern Ireland's elected leaders to be faced with the consequences of their own words and actions.

Partly as a result of these policies, consensus has been quietly achieved on many formerly contested issues. Few employers now object to monitoring the religion of their workforce. Everyone now accepts in principle that there should be fair employment, fair access to housing and equal funding for all schools. Hardly anyone now believes that either the IRA or the

British army can win a military victory. Even unionist parties grudgingly accept the Dublin government's involvement in negotiations, while most nationalists now accept the impossibility of uniting Ireland without the consent of the majority in the north.

Yet in spite of this, Northern Ireland is still polarised, perhaps more so than ever. The vast majority of voters support parties which confine their appeal to one side of the sectarian divide. Residential segregation has increased, under the pressure of violence, so that "the separation of the two communities... is more complete than anyone in 1969 could have imagined".

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LETTERS TO THE EDITOR

Number One Southwark Bridge, London SE1 9HL

We are keen to encourage letters from readers around the world. Letters may be faxed to +44 171-873 5330 (please set fax to 'fax'). e-mail: letters.editor@ft.com Translation may be available for letters written in the main international languages.

An inadequate defence of Adam Smith

From Prof Jeffrey M. Herbener. Sir, The more 20th century economists study Adam Smith the lower their opinion of him goes. The evidence has become so overwhelming that those, like Dr Ramon Butler (Letters, July 11), who attempt to defend him are reduced to stammering his opinions.

agreed with Joseph Schumpeter that Smith shunted economics on to the wrong track. In almost every area of economic theory, Smith was wrong. Smith did not devote the bulk of his Wealth of Nations to what Dr Butler considers to be major contributions - the "invisible hand" and a critique of trade restraints. Instead, Smith wrote interminably on his worst area: monetary affairs. And far from being a precursor to the modern empirical method, as Dr Butler asserts, Smith's empirical analysis consists of long,

rumbling citations of data with no systematic bearing on theoretical questions. Aside from synthesising the work of modern Smith scholars, Prof Rothbard's unique contribution was to show the fall-back argument that all pioneers make such mistakes as they blaze new trails is also wrong. Many authors who preceded Smith presented a far superior economics: in particular Richard Cantillon's treatise that Smith read, and the views of A.R.J. Turgot, that Smith knew.

Jeffrey M. Herbener, associate professor of economics, Washington & Jefferson College, Washington, Pennsylvania 15301-4801, US

Olympics grip

From Mr Simon Buckingham. Sir, I enjoyed reading Peter Aspin's article "The gigantic Olympics" (July 13/14) on a flight back from Atlanta. It was interesting to see in Atlanta that the International Olympic Committee has the word "Olympic" copyrighted, such that non-sponsors cannot refer to "the Olympic ideal", "the Olympic family", etc.

superpower with the most powerful economy in the world, and is universally recognised to the extent that all the important commodities - oil, precious stones, gold etc - are traded in it. This currency is so powerful that even the suspicion of a hint that its exchequer might

speaker would seem to amount to nothing more than that the speaker believes it - and Hugh Dickinson can maintain that the speaker merely has a false belief (absolutely). If the claim is not relative, then we have a contradiction and the claim that all judgments are relative is false - absolutely. These issues have not, by the

When he next encounters the claim, he should simply ask whether it, too, is relative. If it is, he may safely ignore it - for its being true just for the

Relatively unarguable judgment presented

From Mr Ken Gaskin. Sir, It surprises me that the financial experts at Brussels are so parochial and near-sighted as to wish to introduce only a single European currency when there already exists one they could adopt. And it is one which is backed by the greatest

raise interest rates causes a 40 point drop in the Footsie and nearly sends the Nikkei into free fall. Think of the saving in printing costs!

Ken Gaskin, 20 Linwood Terrace, Alfred Street, Bangor, County Down BT20 5DJ, UK

Dieter Schultze-Zen, James A. Hart, Ackerman & Schultze-Zen, Kamistrasse 13, 10623 Berlin, Germany.

US achieving unprecedented penetration of German economy

From Mr Dieter Schultze-Zen and Mr James A. Hart. Sir, Your coverage of Germany is very good but you missed the excellent survey in the July 10 Frankfurter Allgemeine Zeitung, Germany's Top 100 Industrial Corporations for 1995. This 38th annual study reveals the deep penetration of the German economy by American multinational companies, unprecedented in today's world. Fourteen US companies are placed on this list, far ahead of second-ranking The

Netherlands with two. (Japan did not figure at all). American corporations have been doing extremely well throughout the entire life of the survey. By contrast, only two German companies appear in the 100 largest industrials in the US as compiled by Fortune. Daimler Benz, as usual, ranked first in Germany in 1995 with sales of DM103bn. But General Motors, through its German subsidiary, Adam Opel, ranked 15th with DM26.9bn and Ford, through Ford-Werke, was 16th with

DM25bn. Philip Morris actually had two subsidiaries on this list while others, including IBM, Exxon, Hewlett-Packard, Coca-Cola and Procter & Gamble, and Motorola had one each. Ten of these 14 US companies reported increased sales in 1995 over 1994. Only one reported a loss. Some 2,000 American companies now produce goods and services in Germany worth about \$200bn per year, equal to 10 per cent of German gross domestic product. That is five

times the combined goods and services exported by the US to Germany. They have far more direct investment in Germany (\$50bn) than second placed The Netherlands (\$39bn). And the lead was lengthened in 1995 with the acquisition of 138 German companies while the UK was second with 70.

War of words on the wireless

Raymond Snoddy on the battle over the BBC World Service



John Birt (right) and Sir Christopher Bland launching the plan

A small war has broken out in a far-flung outpost of the BBC empire - the headquarters of the World Service at Bush House in London's Aldwych. The battle will come to a head tomorrow when Mr John Birt, director-general of the BBC, will give evidence to the Commons foreign affairs committee on reorganisation plans for the BBC's English language overseas radio service. The House of Lords is also expected to get involved in the controversy during tomorrow's final parliamentary session on the government's new Broadcasting Bill.

On one side of the barricades are what appears to be most of the staff of the World Service and its former managing directors. Mr John Tusa, managing director between 1988 and 1992, described the reorganisation as "one of the greatest acts of vandalism ever perpetrated against the World Service".

On the other are the more isolated figures of Mr Birt and Sir Christopher Bland, the BBC chairman. They argue equally vehemently that the changes will save money and underpin the quality of the World Service which anyway is not like "a statue in the garden that needs preservation".

The restructuring of the World Service is part of a wider reorganisation at the BBC designed to equip the Corporation for "the digital age". Separate directorates for radio and television are being replaced by functional managerial units which will straddle both media.

Of these BBC Broadcasting will be responsible for commissioning virtually all programmes. BBC Production will produce all programmes. And BBC News will supply all news and current affairs.

Radio has been promised equality with television in the new corporate structure. But opponents of the changes are sceptical: they worry that television will tend to be the dominant medium in setting priorities because of its voracious appetite for money.

However, it is in the World Service where the most intense controversy has been generated - controversy which has led to demonstrations outside Bush House and the creation of a Campaign to Save the World Service.

Under the new plan the World Service, which is funded

exactly what is at stake or what might be lost as a result of the reorganisation.

Opponents of the changes such as Mr Tusa argue it is difficult to see how money will be saved by partial integration with the rest of the BBC. Programmes made in Bush House cost 38 per cent less than those made at Broadcasting House.

But the opponents also say there are more important subjective and cultural issues at stake. They believe the quality of the World Service and its international outlook are a product of its own 24-hour newsroom staffed by journalists who understand the subtleties of broadcasting to multi-cultural audiences.

It is also important, they argue, that World Service staff are physically in the same building as the staff of the 43 services broadcasting in languages other than English so there can be cross-fertilisation of ideas. Under the restructuring plan, the 42 "vernacular" services will remain a separate organisation within the BBC.

The row comes at a time when overall audiences for what is already the world's most successful international broadcaster are rising. The number listening to the World Service each week in those parts of the world where measurements are

possible has risen in the past year from 133m to 140m. Sir Christopher has promised that the authority of the World Service will not be reduced by the changes. He told the conference of the Radio Academy, the association for the industry's professionals which is now meeting in Birmingham, that its programmes would remain distinct from those in other areas of the BBC.

A dedicated team in BBC News will be responsible for the news programmes made for the World Service. And all those involved in World Service programmes are likely to stay in Bush House until the end of 1998.

"To those who argue that 'if it ain't broke don't fix it', I say: the World Service may not be 'broke' now but we want to ensure that it doesn't become 'broke' - in any sense of the word - in future," Sir Christopher added.

It was an allusion to the fact that the World Service budget is under pressure from the government. This year the current budget is £135.6m, with an additional £19.7m for capital spending. But the service faces reductions of 25m in capital for this year, with further cuts of £4m in capital and £2m in operating costs proposed for 1997-98.

Mr Birt emphasised this week that where new ideas had been introduced into the BBC - such as the creation of an internal market for BBC producers - they have been "conspicuously and demonstrably successful" at squeezing more out of budgets. But the World Service is already so admired and demonstrably successful that he will face an uphill struggle to persuade people of the merits of the reorganisation.

Regional programmes for the UK and the foreign language output of the World Service are both already excluded from the wider BBC managerial restructuring. Opponents of the changes argue that one other small exception could be made for this level of British broadcasting.

Those opponents set much store by how the Commons foreign affairs committee assesses the conflicting arguments. The changes could be stopped in their tracks if the Foreign and Commonwealth Office decides that is not how it wants its money spent.

With climate change, what we don't know can hurt us

It has been said climate is what we expect; weather is what we get. Weather is capricious and chaotic. By contrast, climate in the 10,000 years since the last Ice Age has been assumed to be quite stable and serene, an assumption that is crumbling in the face of ever more sophisticated measurements. It now appears that the climate in this period has actually been quite volatile, changing Earth in ways that may dwarf the impact of human activity and complicate predicting climate trends. Nevertheless, the human factor in global climate change and the chance that we might be headed for damaging social and economic dislocations cannot be ignored. In the second of three reports on global climate change, we look at efforts to achieve an ecological balance.

The evolving science of climate change and the known behavior of greenhouse gases in the atmosphere—their long life end global, cumulative buildup—argue for a careful and comprehensive approach to their control. Unfortunately, policy decisions now being considered in United Nations climate change negotiations could lead to premature, inequitable and ultimately counterproductive measures. At stake are thousands of billions of dollars in technological and industrial changes, potentially disruptive trade wars and an unprecedented transfer of wealth.

A critical factor is timing. The compressed timetable of these negotiations tends to create an unwarranted sense of crisis. A gradual approach—one that would not result in an appreciable buildup of gases over the next 100 years—would allow us to improve our understanding of the potential threat and to develop more efficient technology to deal with it. The U.N. Framework Convention on Climate Change itself recognises the dynamic nature of greenhouse-gas decision-making. It requires periodic review "in light of the best available scientific information on climate change and its impacts, as well as relevant technical, social and economic information."

There is great pressure to assign responsibility for the stabilisation and reduction of emissions, along with the cost, almost entirely to the industrialised world. While the developing world would be spared the initial burden, such selective controls would penalise all nations in the long run.

Imposing controls only on the industrialised world would likely cause what economists call "carbon leakage"—the transfer of energy-intensive industries to less-regulated countries, where they would offset the benefits of emission reductions. Beyond this, the cost of mitigation, even for the wealthiest nations, would weaken their purchasing power and lead to a reduction in imports from the developing countries—depriving them of a powerful impetus for growth and prosperity.

The U.N. climate control negotiations rely on an arbitrary classification of countries as either developed or emerging. While much of the world falls short of a decent standard of living—nearly 2 billion people have never seen a light bulb, and half of them rely on wood or other biomass for fuel—the developing world as now defined includes a growing list of commercial powerhouses. Among developed countries, patterns of energy use are so diverse that an equal percentage reduction in emissions by all would be both unfair and uneconomical.

Independent studies—by the Australian Department of Foreign Affairs and Trade as well as the Massachusetts Institute of Technology (MIT)—increasingly point to international cooperation and worldwide implementation of control measures as sensible and cost-effective. Such an approach would include funding and technology for emission controls to flow from developed countries to the rest of the world, in return for credits for their own mitigation measures. A cooperative, international approach, we believe, offers a win-win for all nations.

Tomorrow...we're all in this together.

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Wednesday July 17 1996

A change of market mood

The magical sheen which once coated America's technology stocks has faded. Valuations which defied gravity are now closer to terra firma. The slide in high-tech issues over the past few weeks has taken the Nasdaq index - in which such companies are heavily represented - down by nearly 15 per cent.
Not a moment too soon, those in less glamorous businesses might feel. But stock markets deliver the roughest of justice: every time an electronics business announces poor sales, companies thousands of miles from Silicon Valley suffer too. True, the drop in the broader-based US indices has been only half as severe as in the Nasdaq index. But even here, each brief decline in US equities was a signal for a fresh wave of buying by investors in search of bargains. That mood has gone. Mutual funds which powered the last stages of the rally have run short of cash, and may soon face redemptions. The youthful entrepreneurs queuing up to become paper millionaires have found their initial public offerings indef-

Jobs dilemmas

A significant proportion of the employable population of the advanced industrial countries suffer from low earnings, long spells of unemployment or both. This much is widely understood. What is both valuable and disturbing about this year's Employment Outlook from the Organisation for Economic Co-operation and Development is that it demonstrates the complexity of the problem and the absence of clear solutions.
On inequality of earnings, for example, the OECD has a surprising finding. While earnings inequality rose in many countries over the 1980s, only the UK and US have continued to experience a rapid rise in inequality during the first half of the 1990s. In Australia, New Zealand and the US, rising inequality has meant stagnation, or even falls in the real wages of men in the bottom half of the earnings distribution.
Some have argued that rising inequality is the price of low unemployment. Yet the OECD comes to the surprising conclusion that "there is no significant tendency for employment to be lower and unemployment higher for inexperienced or low-skilled workers in countries where there are relatively few low-paid jobs available." Since it also finds that upward earnings mobility is no greater in countries with high inequality than in those with low inequality, it would seem forced to the conclusion that rising inequality brings no benefits to the

Regulating BAA

As far as it goes, the latest Monopolies and Mergers Commission report on regulation of London's airports is a workmanlike document. But it does not go far enough. The report focuses on ways of improving the operation of the existing regulatory system, when a searching inquiry is needed into the fundamental premises on which it is based.
The MMC is not entirely to blame. It is constrained from challenging the monopoly of BAA, the airports operator, around which the system is built, unless it is found conclusively to have operated against the public interest.
The MMC arguably used too narrow a definition of the public interest. But the basic problem lies with the 1986 Airports Act, under which BAA was privatised. Unlike the Fair Trading Act and legislation governing other privatised monopolies, the law does not explicitly require regulation to promote competition. Yet that goal is both desirable and feasible. As things stand, the Civil Aviation Authority, the regulator, is required to set charges at levels which safeguard the interests of users and promote new investment, while encouraging new investment. Balancing these priorities calls for fine guesswork. Not only do calculations of BAA's rate of return vary widely, depending on the valuation formulae used, but big assumptions have to be made about its future business performance.



A capital city once again: the new German parliament building

Berlin searches for a role

Re-united Germany's new capital is finding that it must pay a price for becoming a more normal city, reports Judy Dempsey

Visitors to Berlin's "Infobox", a square-shaped steel building which stands where the Wall once cut the city in two, see at first hand the paradox which grips united Germany's capital.
Videos and plans show the vast scale of the construction under way to rebuild the centre of the city, with some DM40bn (\$26bn) of investment committed on projects that should be completed by the turn of the century. Yet Berliners seem unable to find it in themselves to be optimistic about the impact of all this work on their city.
"it's hard to believe this is the same city which I grew up in," says Mr Jürgen Kessler, a 61-year-old baker who had taken time off to visit the infobox on Potsdamerplatz. "When you see it on the videos, it is all very exciting. But it is really hard to imagine what the city will look like and feel like when all the construction is over."
If the physical Berlin is hard to visualise, its economic future is still more uncertain. The lavish physical reconstruction cannot guarantee prosperity in the years ahead. Even the thousands of politicians and civil servants due to arrive by the end of the century will not provide the capital with an economic raison d'être. Unsure of its future, Berlin is in a strikingly pessimistic mood.

Some of these links were broken after 1949 when the east German communists took power. Others were cut after 1961, when the Berlin Wall was built. Even the city's postal codes had changed, confirming the existence of two separate entities. Now, much of the work to recreate a united infrastructure has been done.
Making Berlin a more normal city has its own costs, however. Until German reunification in 1990, west Berlin was supported by the federal government. Over 60 per cent of local public expenditure had been financed by Bonn. The aim was to keep people in the city, encourage companies to settle there and maintain a shining capitalist showcase in the heart of east Germany.
Young men from west Germany could escape conscription by moving to west Berlin. Companies and residents paid less tax than in the rest of the federal republic. The public sector flourished: there are 89 civil servants for every 1,000 inhabitants, the highest proportion in Germany. But since unification, the privileges have gradually disappeared.

"We are now picking up the bill for a united Germany and a united Berlin," says Ms Marta Henning, a young hairdresser. "Over 50 per cent of my income goes on taxes and other measures. I would not mind it so much if the politicians concentrate on selling Berlin as a great city instead of wasting my money on setting up new commissions to decide what buildings to tear down or keep up."
The city is in the throes of a financial crisis. Ms Annette Fugmann-Hessing, the Social Democratic senator responsible for finance, says she has to find savings of DM32bn between now and 1999 to curb a budget deficit running at an annual DM3bn.
She plans to cut the number of local civil servants by 22,000 from the current 175,000. Subsidies to the

theatres and opera houses will be reduced by DM26m a year. The number of university places will be cut from 115,000 to 85,000. Investment projects, even public housing, will be postponed. "We have no choice," says Ms Fugmann-Hessing. "We lived on hand-outs until 1990. We had sufficient warnings that all the incentives and privileges would end. But the city authorities just kept spending."
The proposed cuts have already led to demonstrations by students and strikes by public transport workers. But even if Ms Fugmann-Hessing manages to implement her cost-cutting programme, she must still face the city's other crisis: unemployment - already 14.5 per cent of the labour force.
Over 75 per cent of east Berlin's industry was unable to survive the switch to a market economy after 1990. In west Berlin, industries fled the city as the tax incentives ended. But replacing this industry will not be easy. The city has yet to find a distinct economic role.

Others believe the Umzug will be of only limited value. "It is not enough that officials and civil servants fill this city," says Ms Ulla Luther, head of the planning and architectural department of the Berlin Senate. "We need a strong business class to push it forward."
But such a business class does not yet exist. In contrast to the prosperous cities of Hamburg, Munich, or Düsseldorf, Berlin has no large wealthy middle class. The Nazi persecution of the Jews undermined the city's flourishing and largely Jewish industrial, cultural and economic middle classes. The communists destroyed what remained of the bourgeoisie in east Berlin after their takeover in 1949.
"I really think this is the nub of the problem when we talk about Berlin trying to become normal and finding a role in the united Germany," says Ms Luther. "The city has no indigenous economic class. The Jews were killed during the war. The rich Prussian industrialists or landowners fled to west Germany soon after 1945. This city lost its role as a major textile, industrial and banking community after the war. This is the weakness of the city. It does not produce things. It is searching for a role."
Property developers, who rushed to Berlin amid the euphoria that followed the fall of the wall, are now aware of the city's weaknesses. In the belief that the government would move by 1985 - the original date set by the Bundestag - they rapidly developed new sites in the Mitte, the heart of the city before

CORRECTION

Banque Indosuez

Credit Agricole is acquiring control of Banque Indosuez from Group Suez, not from the Paribas group as stated in yesterday's article on French banks.

Financial Times

50 years ago

Revaluation of the Krona
Mr Myrdal, the Swedish Minister for Trade, declared in Stockholm yesterday that the revaluation of the krona was necessary for Sweden's economic policy, and to prevent Sweden being drawn into an international inflation process. The President of the Swedish Export Association, Mr R. Von Heidenstam, declared that the revaluation would bring important disadvantages for Sweden's export industry. Timber export companies are somewhat distressed over the move. Most newspapers have greeted the revaluation without much enthusiasm, but point out that it was a necessary step after the price rises in America.

Nickel find in Tanganyika
Dar-Es-Salaam: Large deposits of low-grade nickel have been found at Silwesa in the Western Province of Tanganyika. The situation of the find is about 20 miles from Mpunda, where vast quantities of lead, gold and silver are known to exist. Such importance is attached to the discovery that Mr C. Mason Farnum, of Falconbridge Nickel Mines, Ontario, is expected to arrive in Silwesa in the near future for consultations on the spot. The Department of Lands and Mines confirms the presence of this low-grade nickel.

OBSERVER

Jackson gets to Bop

Michael Jackson might be the world's most famous black man, but he is also a man who is heavily involved in the world's financial community.
"First there was Eugene Chaplin, then the late great Charlie. Last year he announced plans to build a \$100 million complex in...
...of close to \$500m.
...of Omar Sharif.
...Winnie Mandela, the president's former wife, in her capacity as head of the ANC's Women's League. Earlier this month the company which bears his name said it was planning to spend a similar sum on a hotel and casino development on the outskirts of Soweto.
But all this may pale into insignificance when pop singer Michael Jackson arrives in South Africa tomorrow. Speculation is rife that he will appear at Sun City, the over-the-top hotel, entertainment and casino complex in the former apartheid of...
...to reveal plans for a multi-million dollar theme park.
...have been lengthening over Sun City, created by Sol Kerzner in the 1980s, since the government announced it was going to grant many more casino licences throughout the country.

Very very daft

It's entirely appropriate that Wycle D'Jean, as the singer is popularly known, should be its saviour.
In India, perhaps the sole country to have not merely Very Important Persons but also "Very Very Important Persons" is grappling with a tough security conundrum according to the venerable Times of India newspaper. What if a VVIP is sent to jail?
This weighty question has been prompted by the possibility of former prime minister Narasimha Rao being remanded in custody, after his recent summons in a \$100,000 fraud case. The Times reports that Delhi's Thar Jail is preparing a cell - with "holproof security" - just in case. But would he take with him his "Z-plus" security, his allocation of five berated and heavily-armed "black cat" commandos? If so, where would they stand? Tough questions.
"We have not come across any such situation so far," said Shyamal Datta, Director of the special protection group, the commando's boss. "Jail itself is a secure place," pointed out one lawyer, thoughtfully. But, countered another, "as hundreds of hardened criminals are inside the jail, officials have to take extra precautions for Mr Rao's security. With a number of other Indian

Wunder to behold

Lars Windhorst, Helmut Kohl's favourite young entrepreneur, is in the clear.
After a week of paper-sifting, the state prosecutor's office in Bielefeld announced yesterday that it had terminated its investigation into alleged irregularities in the business empire of the 19-year-old German Wunderkind without finding evidence of wrongdoing.
Not that the Bielefeld prosecutors will be sitting back and smugging themselves. They are now investigating the former Windhorst employee who levelled the charges against young Lars on suspicion that the erstwhile manager has betrayed company secrets and made false accusations. Wunderkinder, particularly those with the ear of chancellors, aren't going to be best friends with everybody.

Pulp friction

The Japanese company Meiko Shokai is planning to market from late August a super-large-capacity document shredder, able to chew up and spit out a ton of paperwork every hour. It will also nicely mince cardboard containers, assorted packages and parcels of all shapes and sizes.
There is apparently no mention of a name for this brute, though it just has to be called something like Forrest Dump.

Quick marching

The grass may be greener on the other side, but for those Chinese troops soon to be dispatched to

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IMF hails 'victory' for Russia's inflation fight

By Christia Freedland in Moscow

The International Monetary Fund yesterday declared an unexpected victory for an ambitious Russian anti-inflation programme which was assisted by a \$10bn IMF loan granted in April.

The government's economic policies were also applauded by Mr Al Gore, the US vice-president, who met President Boris Yeltsin yesterday in a sanatorium after a planned meeting on Monday had to be rescheduled.

Observers at the meeting said Mr Yeltsin appeared to be in poor health, walking haltingly and speaking slowly. Concerns about the president have overshadowed financial markets and Russian equity prices have fallen more than 25 per cent since his re-election earlier this month.

There has been concern among western and Russian economists that spending by the government in the first half of the year, as Mr Yeltsin canvassed the nation for votes, could undermine budget forecasts and push the inflation rate higher.

But Mr Stanley Fischer, the

IMF deputy director, and senior US officials accompanying Mr Gore this week, agreed that the Russian government's tough financial stabilisation policies had been a success.

"What happened here was little short of miraculous," Mr Fischer said. "If you had said to anybody that there would be a hotly contested election for the Russian presidency during which inflation would steadily come down and the exchange rate remain stable they would have said you were nuts."

Mr Fischer said that, contrary to the assertions of many domestic and foreign observers, Russia had "come very close" to meeting the tough economic targets agreed with the IMF earlier this year. He said that Russia had not exceeded collations on the adjusted budget deficit and that any over-spending of monetary targets was "slight".

"The notion that Russia is being treated leniently is not right, fundamentally. Despite the popular perception, they have come very close to meeting targets," said Mr Fischer. "The

clock is running pretty much on time... and financial stabilisation is basically in reach."

Although Mr Fischer insisted that the credit for this achievement should go entirely to the Russian government, he admitted that Russia's success this year was a vindication for the IMF.

The fund, which had been fiercely criticised by some observers for not giving Russia enough support in the early 1990s, has come under fire from others this spring for being too generous with Moscow.

Although Mr Fischer said he believed the Russian economy was "close to the bottom" and would now begin to follow the upward trajectory of more advanced post-communist economies in countries such as Poland and the Czech Republic, he cautioned that backsliding would always remain a possibility.

Mr Fischer said Russia's biggest challenges were structural, notably the need to boost low levels of revenue collection.

Shaky Yeltsin, Page 3

Netanyahu in crisis talks as shares tumble

By Nava Frusker in Jerusalem

Israeli shares tumbled by almost 4.5 per cent yesterday despite an emergency meeting called by Mr Benjamin Netanyahu, prime minister, with central bank and finance ministry officials in an attempt to stabilise the country's turbulent financial markets.

The price fall meant that the benchmark index has dropped 20 per cent since Mr Netanyahu took office in late May. Much of this decline has been caused by investors deserting investment funds, which have been undermined by concerns about high interest rates.

Investors continued to withdraw from provident funds, 15-year instruments that keep a high portion of their holdings in equities, and switched to high-yield bonds and short-term savings plans. Bank Hapoalim officials estimate that of the \$15.5bn in public financial assets in Israel, about 40 per cent is held in provident funds.

The central bank and the finance ministry offered to buy government bonds, in the hope of stabilising interest rates and halting the flight from investment funds. But the equity market continued its slide - the Mishkan fell 4.48 per cent to 170.18.

Apart from interest rates, market analysts pointed to fears about the future of Middle East peace, given the tougher line of the new right-wing government, and concerns that Mr Netanyahu's plans for budgetary restraint would be more difficult to implement than he expected.

The Histadrut, the country's largest labour organisation, was planning a strike today in protest of spending cuts of \$1.4bn (\$1.5bn) proposed by Mr Netanyahu's financial team. About 400,000 workers are expected to strike in Israel's airlines, bus company, television station, and even the ailing Tel Aviv stock exchange itself.

Seeking to calm investors, Mr Netanyahu held emergency meetings with Mr Dan Meridor, finance minister, and Mr Jacob Frenkel, Bank of Israel governor. The central bank said its plan to buy government bonds would bolster bond prices hit by the public rash to redeem the investment funds.

Finance ministry officials pointed to the need for broader reforms of the country's capital markets.

However, the Bank of Israel defended its interest rate policy, which has pushed official rates to 17 per cent. The central bank has promised a tough monetary policy to try to keep inflation under control. The inflation rate appears headed towards an annual figure of more than 14 per cent for 1996, though the government's target is between 8 and 10 per cent.

Anti-Cuba act

Continued from Page 1

after November 1 this year could not be "extinguished".

Had Mr Clinton "waived" Title III, then no liability would have been established in US law. Under the law, "traffickers" would be liable for the market value of their copyrighted property, plus treble damages if they do not end their investment once advised of a pending lawsuit.

The decision angered Congressional Republicans. "This is a capitulation to Castro and his European business partners who are financing his regime," said Mr Marc Thiessen, spokesman for Senator Jesse Helms, the principal proponent of the law.

Mr Bob Dole, the presumed Republican presidential nominee, said that if he were elected he would remove all doubts about the right of US citizens to sue foreign companies for making profits under the Castro regime.

Switzerland seeks euro payments link to cut trading risks

By George Graham, Banking Correspondent

Switzerland is to press for a link between its national payments system and the planned Target system through which the European central bank will handle payments in euros after the introduction of the single European currency.

The Swiss National Bank believes an electronic link between the two payments systems could greatly reduce the risks involved in trading between the Swiss franc and the euro.

By allowing instantaneous settlement of trades in the two currencies, such a link could eliminate so-called Herstatt risk.

This refers to the 1974 collapse of Germany's Bankhaus Herstatt after it had received payment for one side of its foreign exchange deals but before it had paid out on its side of the bargain.

"It would definitely be our preference as a central bank to have a payment system structure by which Herstatt risks in trading euros against Swiss francs could be avoided," Dr Bruno Gehrig, a Swiss National Bank board member, said yesterday.

Target is due to start with the first phase of monetary union, at the beginning of 1999, and is planned to handle most high value payments in euros between banks across Europe.

Talks between the Swiss central bank and the European Monetary Institute on a possible link are expected to take place this

summer. But the Swiss approach appears likely to be coolly received in the light of an already furious debate on Target between European Union members such as Germany and France, which are likely to join monetary union and those, such as the UK and Denmark, which are not.

Although EU countries which do not join Euro will have a right to link to Target, an argument is under way over whether their access to the system should be on the same terms as Euro members.

For Switzerland, which is not even a member of the EU, access to Target seems likely to raise even greater questions.

"We have quite a lot to do already if we are to get Target going. Why complicate matters by adding another partner?" said one continental official.

Swiss and European officials both say that there is no great technical difficulty about constructing a link between Target and Switzerland's SIC electronic clearing system.

But the EMI would have to agree to the Swiss central bank operating euro-denominated accounts for SIC participants.

In addition, the Swiss National Bank would be reluctant to operate the system if it was unable in emergencies to lend money to participant banks through a mechanism such as its Lombard lending window.

Without such a facility, a bunching of large payments could turn into a liquidity crisis.

TI profits

Continued from Page 1

\$300bn, TI said. The group's results were also adversely affected by a decline in royalty income from patent licences and increased costs as it began production of a new generation of products at its plant in Avezzano, Italy.

Revenues increased in all TI businesses except semiconductor, the company said. These include defence systems and electronics software and computers.

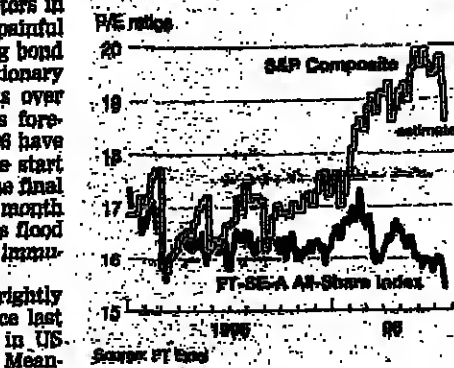
Semiconductor results were, however, down substantially.

The company plans to increase its focus on the more profitable and growing market for digital signal processor chips.

THE LEX COLUMN Bear baiting

FT-SE Eurotrack 200: 1680.5 (+3.1)

London & New York



Across the globe, stock market bears are leaping out of the closet, gleefully predicting the beginning of the end for world equity markets. And there is much to encourage them. Investors in the US have been caught in a painful pincer movement between rising bond yields, reflecting growing inflationary fears, and new disappointments over corporate earnings. Consensus forecasts for earnings growth in 1996 have dropped from 14 per cent at the start of the year to 9 per cent. And the final blow has been a sharp drop last month in mutual fund sales: it was this flood of capital which had provided immunity from these other concerns.

Nonetheless, investors might rightly question what has changed since last month. Expectations of a rise in US interest rates are hardly new. Meanwhile, the perception of sluggish corporate earnings is being extrapolated from a very narrow source. The technology sector has been a virtual monopoly supplier of bad news. But it is smaller than the financial sector, which has so far delivered a sterling set of profit figures. And while there has been some evidence of margin erosion elsewhere, this is hardly enough to justify the recent collapse in share prices. This argues against panic, but short-term direction will depend on whether mutual fund investors have seen enough and sell out.

In theory, the knock-on effect in Europe should not be dramatic. Continental European economies are scarcely out of recession, offering the prospect of low interest rates and accelerating earnings growth. The UK looks more vulnerable, given concerns over loose monetary policy and rising consumer spending. But, in practice, if the US market plunges, the rest will be dragged down in its wake.

it, it would not be surprising if returns exceeded even that relatively generous level.

BAA has secured such favourable treatment mainly because it says it needs extra profits now to fund the development of a fifth terminal at Heathrow. Such a curious argument would not pass muster in a competitive market. Say a company with four shopping centres wanted to build a fifth; the idea that it should put up rents in all its centres even once the new one opened - let alone years in advance - would be laughed out of court. The company would expect to recoup its investment out of rents from the new centre's tenants. Similarly, one might expect BAA to recoup the £1.5bn (\$2.5bn) needed to build Terminal 5 from the rents and charges it will levy once it opens. Still, so long as its regulator think otherwise shareholders will not complain.

UK takeovers

With only days to go, the bid is on a knife-edge, shareholders seem evenly split and the directors of the target company are chewing their fingernails. Then along comes their company's financial adviser and buys a chunk of their shares in the market, sinks the bid, saves the company and creates an extremely grateful client in the process.

Something very like this happened yesterday. Goldsborough Healthcare, a small nursing homes operator, survived a takeover attempt by larger rival Westminster Health Care. Its victory can be attributed, at least in part, to the fact that SBC Warburg, Goldsborough's merchant bank, snapped up 4.1 per cent of Goldsborough's shares in the market.

None of this contravenes Takeover Panel rules. Indeed, an adviser can buy up to 15 per cent of its client's shares at any price, as long as it bears the full economic risks of the purchase and promptly discloses what it has done. Nor is this the first time the technique has been used. Devenish's advisers did much the same when the pub group narrowly escaped the attention of Boddingtons three years ago.

Nevertheless, this is a technique which seems more designed to frustrate hostile bids and preserve management's jobs than to protect shareholders. It leaves a bad taste. Even if the bank loses money on the stake it buys - SBC Warburg is already sitting on a loss on its Goldsborough shares - its client will live to pay fees another day. The panel should ban the practice.

BAA

There was much ritual hand-wringing at BAA yesterday, following the announcement of new price control proposals by its regulator. That is only to be expected: during the consultation period the airports group has every incentive to stress how tough a regime it faces. But the City, which pushed BAA's shares up 5 per cent in a falling market, quickly spotted that the company is being treated leniently.

While other regulated utilities have to make do with real rates of return of 6-7 per cent, BAA is being allowed a projected return of 9.8 per cent in the first year of the proposed new cap. True, the regulator projects this will fall to 7.5 per cent by 2002. But given that the projections take no account of BAA's scope for improving productiv-

European cars

In Europe's car market about to go careering off the road again? After strong growth in the first five months of this year, sales dropped 9 per cent in June. Admittedly, more than half of that was due to a 52 per cent fall in France, where June 1996 sales had been artificially inflated by tax breaks. But there is no doubt that sluggish economic growth and tax increases on the continent are catching up with the market. Of Europe's five big countries only the UK, where consumers are feeling perkier, managed an increase in registrations last month. Analysts now expect growth for Europe to be no more than 2-3 per cent for 1996.

This is bad news for an industry where profitability is under constant pressure as a whole Europe's car

FT WEATHER GUIDE

Europe today
High pressure over western parts of the North Sea will result in dry and calm conditions throughout the British Isles. Most areas will be sunny, although the east coast of Scotland will have patchy cloud. Temperatures will range from 18C in Scotland to 26C in southern England. The Benelux and Germany will have sunny spells and patchy cloud with temperatures between 20C-22C. Temperatures in northern France will reach 28C, while southern France will climb as high as 32C with thunderstorms likely. Spain will continue warm but will be cloudy with the possibility of thunderstorms in the south. Sunny periods will prevail in Italy where afternoon temperatures will be around 31C. The Alps will be far while showers are likely in eastern Europe.

Five-day forecast
Rain will spread over the British Isles later in the week and the high pressure system will head towards Poland and the northern Balkans. As a result, temperatures will increase to 25C. Fair conditions will prevail in most of France, Spain and Italy, though occasional thunder showers may develop.

TODAY'S TEMPERATURES

Abu Dhabi	sun	43	Belgium	sun	20	Caracas	cloudy	31	Faro	sun	29	Madrid	sun	32	Rangoon	cloudy	33
Accra	cloudy	27	Berlin	sun	20	Cardiff	sun	23	Frankfurt	sun	25	Managua	sun	31	Raykivik	showers	14
Algiers	sun	30	Bombay	sun	29	Casablanca	sun	27	Glasgow	sun	23	Mexico City	sun	30	Rio	sun	24
Amsterdam	sun	20	Buenos Aires	sun	29	Chicago	sun	27	Hamburg	sun	23	Montevideo	sun	29	Rome	sun	31
Athens	sun	32	Calcutta	sun	32	Colombo	sun	29	Helsinki	sun	23	Moscow	sun	27	S. Francisco	sun	27
Atlanta	sun	33	Dhaka	sun	32	Dublin	sun	22	Hong Kong	sun	28	Mumbai	sun	33	Shanghai	sun	27
B. Aires	sun	11	Hanoi	sun	29	Edinburgh	sun	21	Honolulu	sun	28	Nairobi	sun	28	Stockholm	sun	18
Bangkok	sun	36	Harbin	sun	18	Geneva	sun	22	Kobe	sun	28	San Francisco	sun	28	Sydney	sun	26
Batavia	sun	28	London	sun	27	Guwahati	sun	29	Manila	sun	28	Singapore	sun	28	Taipei	sun	29
			L. Angeles	sun	28	Kuala Lumpur	sun	29	Medan	sun	28	Sri Lanka	sun	28	Tel Aviv	sun	33
			Los Angeles	sun	28	Manila	sun	28	Perth	sun	27	Tokyo	sun	28	Toronto	sun	22
			Las Palmas	sun	29	Phnom Penh	sun	29	Prague	sun	26	Vancouver	sun	20	Winnipeg	sun	18
			Lima	sun	29	Port of Spain	sun	29	Qingdao	sun	26	Vladivostok	sun	20	Zurich	sun	28
			Lisbon	sun	27	San Jose	sun	28	Rangoon	sun	26	Yokohama	sun	28			
			London	sun	26	Singapore	sun	28									
			Luxembourg	sun	24	Sydney	sun	26									
			Lyon	sun	27	Taipei	sun	28									
			Melbourne	sun	26	Tel Aviv	sun	33									
						Tokyo	sun	28									
						Winnipeg	sun	18									
						Zurich	sun	28									

Situation at 12 GMT. Temperatures maximum for day. Forecasts by Metro Consult of the Netherlands

WEATHER
We can't change the weather. But we can always take you where you want to go.

Lufthansa

Without us, they couldn't run a tight ship.

Nippon Yusen Kaisha, owners of one of the world's largest merchant fleets, are determined that no oil will leak from their ships. That's why NYK's giant tanker "Tobizan" is equipped with Aiguard, a revolutionary anti-pollution propeller shaft sealing system supplied by Japan Marine Technologies, part of John Crane Marine International.

The patented Aiguard system creates a barrier of air which isolates the lubricating oil in the tanker's stern tubes from the sea water - oil can't leak out and sea water can't infiltrate and damage the bearings. With Aiguard now being fitted to twenty-three of their huge vessels, NYK is saying "Sayonara" to pollution problems.

John Crane is one of TI Group's three specialised engineering businesses, the others being Bandy and Dowty. Each one is a technological and market leader in its field. Together, their specialist skills enable TI Group to get the critical answers right for its customers. Worldwide.

TI GROUP
WORLD LEADERSHIP IN SPECIALISED ENGINEERING

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Chief price changes

Market Statistics

Company in this trade

COMPANIES AND FINANCE: THE AMERICAS

Focus on costs pays for Eastman Kodak

By Tony Jackson in New York

Shares in Eastman Kodak shrugged off the market's collapse yesterday in response to a 17 per cent rise in second-quarter earnings to \$440m. The shares had fallen steeply last week, in part because of what the company called "unfortunate speculation" that earnings would be disappointing.

The shares were up \$2 at 89 1/2 by lunchtime, still well short of their peak of almost \$80 three weeks ago.

The rise in earnings was

achieved on sales up only 5 per cent at \$4.1bn. Mr Harry Kavets, chief financial officer, said this showed the company's focus on cost reduction was paying off.

He said sales, general and administration (SG&A) expenses had fallen from 27.3 per cent of sales to 27.6 per cent in the quarter. This was despite a sharp rise in advertising expenditure, on both the new Advantix camera and on the corporate brand. Excluding advertising, SG&A had fallen in absolute terms.

In consumer imaging, US revenues rose 11 per cent overall at \$2.1bn, with US sales up 2 per cent and international sales flat. Earnings rose 15 per cent to \$300m.

A strong point was the supply of film to the motion picture industry, Mr Kavets said. "The film business is booming, and we're the major supplier to it," he said. Time Warner's Warner Bros studio also reported record earnings yesterday.

Mr Kavets said losses in office equipment, such as copiers,

were much smaller than a year ago. For the first half as a whole, the business had almost reached break-even. The graphics arts film business, where sales were down worldwide, continued to suffer heavy competitive pressure, and this was expected to continue.

Mr George Fisher, chairman, said: "On balance, we are pleased with the company's performance." He said the earnings rise was particularly significant given the currency movements and higher advertising expenditure.

Cash flow at Time Warner improves to \$1bn

By Christopher Parkes in Los Angeles

A record performance from Warner Bros films and a new peak for the EBO pay-television division helped Time Warner increase cash flow 20 per cent to \$1bn in the second quarter.

Time Inc, the publishing business and cable-TV operations, also reported cash flow up by more than 10 per cent, and group revenues ahead 9 per cent, to \$4.75bn.

However, the group's net loss widened to \$40m from \$8m in the comparable part of 1995, and the deficit per share before extraordinary items was 26 cents, compared with 3 cents last time.

The company has not reported a profit since 1990, when "Time Inc merged" with Warner, mainly because of amortisation and interest charges associated with the deal.

Mr Gerald Levin, the chairman, said cable-TV's 13 per cent cash flow increase on a like-for-like basis marked a return to historical growth patterns.

He said he expected the group's strong performance to continue into the second half.

Although the peak of the summer movie season is past, Warner Bros was given an early lift by the unexpected success of *Twister*, which has sold almost \$250m-worth of tickets since its launch in late May.

Eraser, an Arnold Schwarzenegger vehicle, is doing less well, with a take of \$81m so far, although future TV rights are reported to have been sold for some \$12m.

The improvement from films was notable because the second quarter last year was also considered a success, thanks to *Batman Forever* and *Bridges of Madison County*.

While the removal of statutory controls over cable-TV subscriptions has helped restore the operations' fortunes, weaknesses were still apparent in the group's music division, where revenues fell more than 10 per cent and cashflow was unchanged at \$165m.

The WB broadcasting network, a cash-hungry project designed to challenge the established CBS, ABC and NBC networks, incurred a loss of \$12m, unchanged from the year-earlier figure.

Losses are expected to continue, the company said, partly because of plans to increase the network's national prime-time scheduling from two to three nights a week in September.

Publishing improved under the terms of advertising revenue tabulation, with profits ranging from *Fortune* to *People*, and the group has high hopes for a temporary daily edition of *Sports Illustrated* during the run of the Olympic Games.

NEWS DIGEST

Rockwell shrugs off oversupply pressures

Rockwell International, the US electronics and automation group, yesterday reported a 13 per cent increase in net income, to \$283m, for the third quarter and a 20 per cent jump in earnings per share to \$1.04. Despite oversupply in the semiconductor market, which has prompted the group to postpone until at least mid-1998 the opening of a new \$1.2bn wafer factory, its high-speed computer and fax modem operations played a leading part in the improvement.

Profits from the Semiconductor Systems division more than doubled, the group said, while revenues rose at almost the same rate, to \$409m, in the review period. The high-speed modem business maintained a return on sales rate of 30 per cent.

The company said results for the 1997 financial year would also benefit from the delayed opening of the factory in Colorado Springs, where work started in February. Fixing-out costs can now be spread over a longer period, while supplies of cheap wafers from other manufacturers will help keep down Rockwell's modem production costs for up to 18 months, according to Mr Donald Beall, chairman.

Automation, the group's biggest division, contributing revenues of \$1bn to the quarter's total of \$3.6bn, and aerospace operations also improved earnings, Mr Beall said. Although profits from avionics fell 15 per cent in the quarter, there were signs of improvement in air transport markets. Defence electronics also slipped, while aerospace operations showed a profit rise of 26 per cent - a figure distorted by extraordinary property-related reserves last time.

According to Mr Beall, yesterday's figures highlighted the transformation of the group from its former dependence on US defence contracts. Sales to commercial and foreign customers were almost 10 per cent higher than a year earlier and now accounted for 76 per cent of group revenues, he said.

Chip makers act to reduce output. Page 30
Christopher Parkes, Los Angeles

Caterpillar posts record quarter

Caterpillar, the Peoria, Illinois-based heavy equipment and engine maker, said this year's second quarter was its most profitable reporting period ever. Despite flat sales, at \$4bn, net income rose to \$747m, or \$1.64 a share, from \$328m or \$1.53 in the 1995 second quarter. For the six months ended June 30, net income was \$770m, or \$3.45 a share, up from \$623m or \$3.11. First-half sales were \$7.89bn, down from \$7.83bn in the 1995 first half.

Caterpillar's net free cash flow rose to \$603m during the first half, from \$317m in the same period of 1995. The company said machine and engine sales were lower both in the US and abroad during the second quarter. As US heavy truck demand declines, Caterpillar's engine sales are slowing. However, the company revised its outlook for this year's heavy engine demand, saying that while it would be below 1995 levels, it would not drop as far as previously forecast.

Similarly, Caterpillar brushed up its forecast of US industry demand for machines, saying it would be slightly less than 1995 levels. However, it cautioned that the strengthening US dollar could dent the company's future earnings. Half of Caterpillar's annual sales are outside the US, while most of its production capacity is within the US. "Although the stronger dollar benefited second-quarter margins, over the longer term, a significantly stronger dollar will have an unfavourable impact," the company said.

Lauree Morse, Chicago

Weak sales hit Cummins Engine

Cummins Engine, the US diesel engine manufacturer, blamed a 36 per cent drop in second-quarter earnings on a sharp decline in sales of heavy-duty and mid-range truck engines. It warned that a slowdown in truck assembly would continue to depress engine sales in the second half of the year. The Columbus, Indiana-based manufacturer reported second-quarter net income of \$44m, or \$1.10 a share, down from \$89m, or \$1.69, in the same 1995 quarter. Sales dropped to \$1.32bn, or \$1.36bn in the same period last year.

For the first half, Cummins had net income of \$93m, or \$2.31 a share, down from \$126m, or \$3.32, last year. First-half sales were \$2.63bn, down from \$2.69bn in the same period a year ago. Cummins said heavy-duty truck engine sales dropped 22 per cent from second-quarter 1995 levels, and 11 per cent from the first quarter of this year. Mid-range engine sales were off a more moderate 5 per cent from last year's second quarter.

The company said these declines were partially offset by improved sales of power generation equipment and engines for Dodge Ram pickup trucks. However, it said seasonal shutdowns of Dodge Ram assembly plants would probably reduce sales of light-duty truck engines in the third quarter, and that heavy truck engine demand would continue to decline.

Lauree Morse

Sprint ahead 29% in second term

Sprint, the US long-distance telephone company, raised net income in the second quarter by 29 per cent to \$17m, on revenues up 12 per cent at \$3.65bn. However, earnings per share rose only 6 per cent to 72 cents, blamed on the issue of new shares to Sprint's partners in the international alliance Global One. The company said Global One, which includes France Telecom and Deutsche Telekom, had exceeded expectations for revenues and margins in its first five months of operation. Start-up costs for Global One, and for Sprint Spectrum, the company's mobile phone alliance in the US, totalled \$44m net in the quarter, compared with \$6m.

Long-distance operating income rose 40 per cent to \$200m on revenues up 16 per cent at \$2.1bn. Margins of use rose 19 per cent in the quarter. Sprint said it remained the largest carrier of commercial Internet traffic, with a 60 per cent share in the US and international markets. The shares rose 3 1/2 to \$37 1/2 in early trading.

Spun-off EDS hurt by charges

EDS, the computing services group which was last month spun off from its parent General Motors, reported a 9 per cent rise in net operating income for the second quarter, to \$245m, or 51 cents a share. However, higher-than-expected special charges of \$98m before tax produced a net loss overall of 67 cents a share.

EDS blamed \$48m of the charges on the spin-off. Of the remaining \$50m, the largest part was a \$15m charge for "refreshment" of the company's computing infrastructure and other asset write-downs. There was also a \$27m charge for employee-related costs such as early retirement and staff cuts.

The company expected the restructuring to produce savings from the current quarter, rising to around \$50m a quarter next year and the year after. It said the savings would help offset the reduction in earnings caused by its new contract with General Motors. The contract, for computing services, was redrawn at the time of the spin-off. The shares rose 3 1/2 to \$47 1/2 in early trading.

Tony Jackson

Double-digit growth for US banks

By Richard Waters in New York

Chase Manhattan and Citicorp, the two biggest US banking groups, each registered double-digit earnings advances during the second three months of the year, though for very different reasons.

At Chase, cost-cutting following the merger with Chemical Banking enabled it to report a 17 per cent rise in net income on revenues which were up 5 per cent to nearly \$4m.

Citicorp, meanwhile, continued to report strong growth from its operations in the emerging markets, which contributed 58 per cent of its earnings in the latest quarter.

This more than offset higher credit card losses in the US and a retrenchment in corporate banking business in the developed world, enabling it to report a 12 per cent advance in after-tax earnings.

Chase has shed nearly 4,000 jobs since the beginning of the year, or 5 per cent of the total. That has been the biggest contributor to merger-related cost savings, which the bank put at \$120m in the latest quarter.

The containment of expenses had a marked impact on some of its main operating ratios. Its efficiency ratio (non-interest expenses to revenues) fell to 68

US banks: 2nd quarter	Net income (\$m)		EPS (\$m)		Assets (\$bn)
	1996	1995	1996	1995	
Chase Manhattan	666	729	1.78	1.52	322
Citicorp	962	853	1.86	1.57	267
Wells Fargo	383	232	3.61	4.51	129
BancOne	355	308	0.80	0.70	97

Source: Companies

per cent, from 63 per cent a year before, while its return on equity climbed by 2.4 percentage points, to 18.7 per cent.

Citicorp, meanwhile, reported a \$13m fall in profits from its credit card operations, to \$242m, echoing the rise in losses across the plastic card industry in the US. The company's biggest credit card issuer said its loss ratio had risen to 4.99 per cent in the period, the highest level since the third quarter of 1993 and up from 3.75 per cent a year ago.

However, Mr Tom Jones, chief financial officer, said a slight reduction in loans categorised as "delinquent" (more than 90 days overdue) suggested the losses would not get worse. "It's almost inconceivable that you could have a big problem that isn't preceded by [a rise in] delinquencies," he said. Some 1.79 per cent of credit card loans were delinquent at end-June, against 1.8 per cent three months before.

Citicorp's corporate banking business in developed economies also suffered a slight fall in earnings, to \$211m, as it continued to trim its least profitable lending. Total assets in this sector were \$19bn lower than a year before, at roughly \$90bn, in part reflecting a decision to take fewer trading positions in financial markets.

Corporate banking results also included a \$60m charge as Citicorp completed its retreat from the mortgage-backed securities business.

More than offsetting these factors were higher profits from emerging markets. Earnings from consumer banking in these areas rose 16 per cent to \$228m, while corporate banking income climbed by 27 per cent to \$438m.

Mr Michel Kruse, one of few senior executives from the old Chase Manhattan still with the bank following its merger with Chemical Banking, announced his departure yesterday.

Until the merger, Mr Kruse had been in charge of all of Chase's corporate and investment banking businesses - a position that went earlier this year to his counterpart at Chemical, Mr Bill Harrison.

In recent months, he has been in charge of risk management, finance, and information and transaction services. Mr Kruse is leaving "to pursue other business and personal interests," the bank said.

His departure leaves Mr Tom Labrecht, formerly Chase's chairman and now president and chief operating officer, as the only remaining senior officer from the old Chase, adding to suggestions that executives from the larger Chemical have assumed the dominant role in the new institution.

Mr Wells Fargo's earnings per share fell by a fifth from a year before, reflecting its use of purchase accounting for its acquisition of First Interstate.

Had it not been for the goodwill amortisation associated with the deal, the bank would have earned \$4.89 a share, below the \$5.58 of the preceding three months.

Mr Paul Hazen, chairman, said the fall stemmed in part from merger-related costs "and because we are just beginning to realize the economic benefits of the merger."

New World close to takeover deal with King World

By Christopher Parkes

New World Communications, the US television station company, recently targeted for purchase by News Corporation, is in the closing stages of talks to take over King World, a leading TV production and programme syndication company.

An all-share deal, reported to be worth almost \$1.5bn, has been in negotiation for several weeks, and would conclude a year-long hunt by King World for a buyer.

It might also spell an end to the ambitions of Mr Rupert Murdoch's News Corp to buy New World, which owns 10 television stations affiliated with its fast-growing Fox network.

New World's majority shareholder, New York financier Mr Ronald Perelman, has said he aims to build the company into

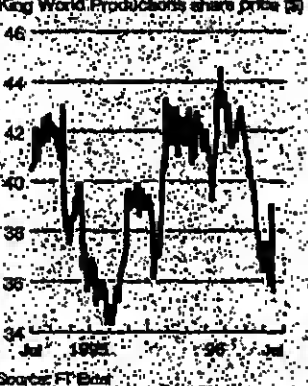
a full-scale entertainment network. However, some observers suggested a move on King World might be a tactical manoeuvre to make New World more attractive to News Corp or another potential buyer.

Discussions with News Corp broke down recently, reportedly over Mr Perelman's allegedly inflated estimates of his debt-laden company's value.

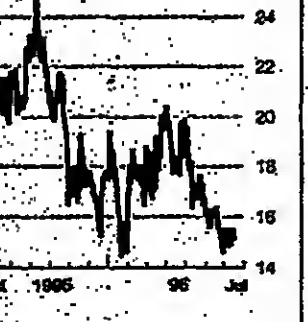
The range of growth options for smaller-scale station operators has been narrowed by the wave of large mergers following deregulation of US communications. At the same time, the value of established station operators has risen as big entertainment conglomerates have sought to gain control of as much distribution capacity as possible.

Several prospective bidders have been attracted by King

TV link-up



New World share price



World's cash pile of more than \$600m, and its successful roster of shows, including *Wheel of Fortune* and *The Oprah Winfrey Show*, which are internationally known.

Early callers included Turner Broadcasting System, which opened talks last summer and which has since agreed to a merger with Time Warner.

However, all potential buyers have so far balked at the reported high asking price for a company which relies heavily on ageing shows and which has had little success generating new products from

its own resources. Its distribution rights over its top three properties expire in 2000.

Wheel of Fortune and *Jeopardy!*, its other top-rated game show, are both made by Tri-Star Television, part of Sony.

King's own productions, including news magazines and *Rolando*, a daytime talk show, have been less successful.

Dollar's surge checks drugs groups

By Richard Waters

Sales growth at Eli Lilly, the US drugs company, wobbled during the second quarter in the face of increasing competition in some international markets and the recent surge in the dollar. The news left Lilly's shares down 3, or 5 per cent, at \$86 1/2 yesterday morning.

Meanwhile, healthcare group Johnson & Johnson registered a solid 20 per cent increase in net income, attributed in part to its acquisition of surgical product maker Cordant.

At Lilly, sales during the second quarter were \$1.7bn, some 5 per cent higher than a year before, as the translation effect of a stronger dollar shaved 3 percentage points off the growth rate, and lower selling prices another 2 percentage points.

Sales of the company's biggest product, Prozac, grew by only 5 per cent, partly because of the loss of the anti-depressant's patent in Canada and fierce competition in France. Menovibla, manufacturing and marketing costs both rose by about 10 per cent.

Only the effect of various one-off items, including the sale of securities and the sale of Japanese marketing rights for one of its products, enabled the company to report an advance in pre-tax income for the period. These items added \$100m to income, compared with \$80m a year before, leading to a \$28m increase in pre-tax earnings from continuing operations, to \$465m.

Mr Randall Tobias, chairman, acknowledged the growing pressures. He said Lilly had increased its marketing



Randall Tobias: moved to contain costs

spending to support Prozac and move to contain the growth in costs.

Net income rose 6 per cent to \$248m, or 63 cents a share. J&J's sales also reflected the rise in the dollar. Revenues

rose 13 per cent from a year before, to \$5.4bn, but would have been 3 percentage points higher but for the movement in the currency. The bulk of the growth came in the US, where sales climbed 18 per cent to \$2.6bn.

The Cordant acquisition contributed to a 21 per cent increase in sales in the group's professional products segment, to \$2bn. Top-line growth in the consumer segment, on the other hand, was only 5 per cent, while sales of pharmaceutical products rose 11 per cent.

Slower growth in costs, particularly selling, marketing and administrative expenses, enabled the company to report a 12 percentage point improvement in its pre-tax profit, to 20.8 per cent. Overall, net income rose 20 per cent to \$791m, or 60 cents a share.

Growing international demand boosts Philip Morris

By Richard Tomkins in New York

Growing demand for Philip Morris cigarettes in international markets helped the US tobacco and food company report another period of strong profits-growth yesterday, lifting second-quarter net earnings by 15 per cent to \$1.69bn.

Earnings per share, boosted by the company's heavy stock repurchases, rose by 13 per cent to \$1.97, in line with expectations on Wall Street and mirroring the pace of growth the com-

pany achieved in the first quarter. Mr Geoffrey Bible, chairman and chief executive, described the first half of the year as "a blockbuster" and said that both sides of the business - tobacco and food - had "terrific momentum" as the company headed into the second half.

The number of cigarettes sold by the international tobacco division rose by 12 per cent to 165bn, lifting operating profits by 19 per cent to \$884m in spite of unfavourable currency movements.

In central Europe, the figures were

boosted by Philip Morris's acquisition in the first quarter of ZPT-Krakow, Poland's largest manufacturer of cigarettes. Excluding ZPT-Krakow, the company said, the increase in international volume would have been 9 per cent.

In eastern Europe, volume rose by 25 per cent. Philip Morris said volume also grew strongly in most of its key developing markets, including Indonesia, the Philippines, Malaysia and the Middle East.

In the domestic tobacco division, the number of cigarettes sold fell by

0.4 per cent to 57.5bn, but the company blamed a distortion in trade buying patterns. Increased sales of premium priced cigarettes and higher overall margins helped increase the division's operating profits by 12 per cent to \$1.05bn.

Philip Morris said its total share of the US retail cigarette market rose by 3 percentage points to 49.6 per cent, and Marlboro's share rose by 3.5 percentage points to 33.4 per cent.

Kraft Foods, the North American food operation, saw some impact from the breakfast cereal price war in the

US, but still increased operating profits by 7.5 per cent to \$735m. The division cut prices of its Post and Nabisco cereals by 20 per cent to stimulate sales, prompting a backlash by the other big cereal companies.

The international food business increased operating profits by 8 per cent to \$285m in spite of lower volume in western and northern Europe. However, the Miller Brewing division suffered a 8.6 decline in operating profits to \$159m because of weak sales and higher marketing and manufacturing costs.

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COVENTRY COLLIERY
On 10 February 1996 Arthur Andersen were appointed as Administrators to Coal Investments plc, including Coventry Colliery. Since then the Coal Authority and the Administrators have advertised for expressions of interest in the mines to be registered. In the ensuing months the Administrators have operated the mine and evaluated expressions of interest from prospective operators. On 12 July 1996 no viable bids existed and the mine was surrendered to the Coal Authority.
The Coal Authority now intend to implement a closure programme unless a firm expression of interest is received within 7 days (i.e. by 24 July 1996). This date will not be extended, nor will any further advertisement appear. Any expression of interest should identify the nature of the proposal, company structure, together with the availability of expertise and financial resources.
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The Coal Authority
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July 16 1996

Spanish
Banco profits
Ahold raise
Nestlé ber
Schering i

Spanish banks join Endesa in telecoms bid

By Tom Burns in Madrid

Two big Spanish domestic financial groups, Banco Santander and Banco Central Hispano, have joined with Endesa, the state-controlled electricity generator, to form the core of a consortium which looks set to run Spain's second telephone operator.

Both banks hold significant stakes in Endesa. Santander said yesterday the three were to appoint Mr Antonio Barrera de Irujo, a senior Madrid business consultant, to monitor the privatisation of Retevisión.

Endesa, the state-owned signal transmission company. Under the government's planned deregulation of the telecommunications sector, Retevisión will be awarded a basic telephony licence within two years.

The move brings together the main partners in Airtel, the second mobile phone operator in Spain which was launched last year.

Ranged against this alliance is a similar informal partnership created by Banco Bilbao Vizcaya and La Caixa, the Barcelona-based savings bank

BBV. Santander's main banking competitor is a leading shareholder in Endesa, the second-ranked electricity producer, and is a large shareholder with La Caixa in both Endesa, the dominant telecoms operator, and Repsol, the domestic energy company.

When it unveiled its deregulation plans for the telecommunications sector, the government indicated last month that BBV and La Caixa would be barred from bidding for Retevisión and the second operator licence to ensure greater competition.

Given the government's determination that Spanish capital should form the core ownership of the new operator and the limited domestic funds available, the ban in practice ensures that the field for the new licence is clear for the Santander-BCH-Endesa group.

The decision by the second group to put Mr Barrera de Irujo in charge of its potential interests in Retevisión indicates it has speedily taken up the opportunity of accumulating positions in the telecommunications sector. Mr Barrera de Irujo, 68, was finance minister in the early 1970s and was chairman of Telefónica for eight years.

Under the deregulation plans, Retevisión is to create a telephony company and the government will subsequently reduce its stake to 20 per cent, the level of state-ownership in Telefónica.

The new company will be technically ready to provide services as early as January next year, although licences to local cable operators which will provide the Retevisión service will not be awarded until 1998.

Dispute over staff poaching settled

By Nicholas Denton

The most bitter dispute over poaching in investment banking in recent years ended yesterday, when ING Barings said it had settled the lawsuit it launched last month against rival Deutsche Morgan Grenfell.

ING Barings, which lost 72 Latin American equities staff in a raid by DMG, said in a statement agreed with the Deutsche Bank unit that former employees would not contact any current or potential clients until September 3.

Under the settlement, DMG will not solicit investment banking or broker-dealer staff from ING Barings for a period which the sides did not disclose, but is understood to be until the end of December.

ING Barings is retracting its claim for \$10m in damages which it lodged in the New York Supreme Court, alleging that DMG, one of the most aggressive hirers in the industry, had solicited its staff and engaged in unfair competition.

The row began when Mr Hessel Lindenbergh, chief executive of ING Barings, said DMG's predatory practices were causing increasing irritation in the industry. It ended only with intervention by board members of the parent banks, Internationale Nederlanden Groep and Deutsche Bank.

The moratorium has little concrete significance for DMG because it would have been unlikely to approach ING Barings clients until the autumn anyway, and it has hired most of the staff it had targeted.

But an ING Barings executive said the lawsuit had drawn attention to the poaching epidemic, which many senior executives in the industry say is bidding up staff costs and undermining the stability of institutions. "You will always see tests moving but it does send a message that, when there are particularly predatory practices, the institutions have to sit down and discuss things seriously," said Mr Peter Geraghty, head of emerging markets debt at ING Barings.

NEWS DIGEST

Austrian retailer acquired by Rewe

Billa, the Austrian retailing chain, has been sold to Rewe, the biggest German food retailer. The company did not give any details, and Rewe declined to comment. A report in Austria's Kronen-Zeitung newspaper put the purchase price at Sch10bn (\$836m), which would make the deal Austria's biggest. Rewe is Germany's third-largest retailing group, behind Metro and Tengelmann, with sales of DM43bn (\$27.19bn) last year.

According to Billa, the new owner agreed not to make any changes in the group's management and operations. The transaction covers Billa's supermarket and drug store divisions, but not the multimedia chain Libro and the real estate division Billareal, part of which is publicly traded. Billa is privately owned by Mr Karl Wieschek, 79, a former bar pianist who started with a single store in 1953 and turned it into Austria's largest retailing group with 18,000 employees. Billa has annual sales of Sch50bn and one of the highest profit margins in the industry. *Eric Frey, Vienna*

France Télécom names advisers

France Télécom has selected three banks - Lazard and Banque Nationale de Paris of France, and Merrill Lynch of the US - to help it prepare for the sale of some of its shares in an operation expected to take place in the early part of next year. The French government is covering the group - the fourth largest telecoms operator in the world in terms of 1994 turnover - into a joint stock company, paving the way for the expected share sale. The company is expected to be incorporated on January 1 1997, with the first shares expected to be offered by April. The government has promised to retain a 51 per cent stake. *David Owen, Paris*

Georg Fischer takes over rival

Georg Fischer, the Swiss machine tools group, is taking over Agie Holding, one of its smaller and weaker competitors. Fischer has bought majority control of Agie for an undisclosed sum from a group of Swiss banks involved in an earlier financial reconstruction of the company. Fischer intends to retain Agie's stock market quotation but will consolidate its own Chammiles Technologies unit with Agie. The new group will have a combined turnover of Sfr750m (\$58m) and plants in Switzerland, the US, China and Japan. *William Hall, Zurich*

Gencor lifts stake in Ingwe

Gencor, the South African mining group, has acquired another 12 per cent of Ingwe, taking its shareholding in the world's third-largest privately owned coal group to 41.5 per cent. The consideration, estimated by analysts to be worth about R612m (\$188m), was a parcel comprising Gencor's 27 per cent stake in Anglovaal Holdings, 25m new Gencor shares and R24.1m cash. Gencor has not revealed the seller's identity, although analysts point to a big South African institution. *Kenneth Gooding, Mining Correspondent*

Lucchini, one of Italy's largest private steelmakers, yesterday warned of a "strong slowdown in demand" and a "vertical fall" in European steel prices in 1996. The family-owned group, part of the *gruppo di core shareholders in Usinor Siderco* of France, reported a record net profit for 1995 of L170bn (\$110m), before minority interests, against L34bn the previous year. But the company said results and production for 1996 would be hit by the general slowdown of the European economy, imports from central and eastern Europe and other countries, and the sluggish recovery in public-sector contracts in Italy. Turnover increased from L2,527bn to L3,216bn. *Andrew Hill, Milan*

Banco Popular increases profits by 6.2% halfway

By Tom Burns

Banco Popular, the Spanish banking group at the centre of considerable speculation over its growth strategy, yesterday posted first-half net attributable profits of Ptas3,130,430, a rise of 6.2 per cent against the first six months of last year.

The results, in line with expectations and with the regular performance that Popular has delivered over recent years, followed an annual meeting this month that empowered the board to introduce changes to the structure of Popular's share capital.

Popular is the smallest of the big domestic banking groups, although its annual profits are above those of larger rival banks. It recently outlined bold moves to increase its business base, including new products

and new information systems. To aid the growth - which, according to market speculation, could include an acquisition - the board has been granted a wide range of options. It has been awarded powers to reduce the banking group's capital and for the purchase of its outstanding shares, and has been given the go-ahead to raise new capital.

The strategy reflects concern that the growth of Popular's highly-conservative lending business could be approaching a ceiling.

There is also concern that the bank could, over the long term and in a falling interest rate environment, be penalised by its excessive exposure to the interbank market.

"Popular's recent profit growth is clearly well below that of its main competitors," said Mr Juan Cueto, head of

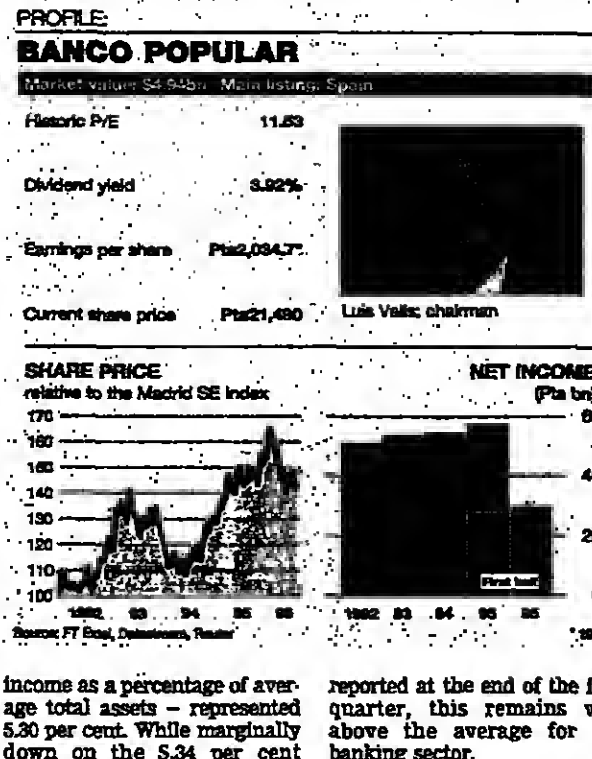
research at Madrid brokers Ibersecurities.

Uncertainty over the impact of the group's next moves has resulted in the share price this year underperforming the Madrid general index and the banking sector.

Over the next three years Popular plans to build up telephone banking services, and it will spend Ptas8bn on new information systems, and Ptas7.5bn to increase its branch network by 25 per cent.

The turnaround programme, which seeks to build up Popular's client base among small and medium businesses, also includes an aggressive hiring strategy and a Ptas1bn package to retire 500 of its 7,000 staff at the age of 55.

Despite the rate cuts in the first half of this year, Popular's relative financial margin on June 30 - its net interest



Ahold raises fl 3bn from international share issue

By Gordon Crabb in Amsterdam

An international share issue by Ahold, the Netherlands' leading supermarket group, yesterday survived the tumble in world equity markets to raise fl 3.06bn (\$1.79bn). Excluding privatisations, the offer was the biggest by a Dutch company.

The price for the global issue, set after a revised Wall Street closed on Monday, was fl 85 a share. This compares with an expected fl 87 and the fl 92.50 at which Ahold shares were trading in Amsterdam when the offer was announced last month. The shares, ended in line with the offer price at fl 85.10 yesterday, down from fl 88.70 overnight.



The company, operator of the Albert Heijn stores, made the offer to fund the acquisition of Stop & Shop, a north-eastern US chain.

The US Federal Trade Commission and three state authorities have meanwhile reached agreement with Ahold on conditions for the takeover.

To meet competition requirements, it is to sell 29 stores and two undeveloped sites out of the 227 outlets operated by Stop & Shop and Edwards Super Food Stores, one of its existing US chains.

Ahold added that it had found buyers for all the properties, mainly Edwards stores located in Connecticut. The other divestitures required were in Rhode Island and Massachusetts.

Proceeds would slightly exceed book value and would have no material effect on its results, it said. PTC clearance means the

Dutch group will be able to conclude the Stop & Shop purchase before the end of this month, after which the terms of the sale agreement meant it would have had to increase the price.

The chain is being bought from Kuhlberg Kravis Roberts, the US buy-out specialist.

Of Ahold's fl 29.6bn sales last year, as much as 45 per cent was derived from the US. If Stop & Shop had been included, revenues would have risen to fl 37bn and net earnings boosted from fl 492m to fl 661m. The group is expanding in eastern Europe and south-east Asia, but this month lost out to Auchan of France in a bidding contest for Pão de Açúcar, a Portuguese chain. The new shares, for which

Goldman Sachs was global co-ordinator, represent some 22.4 per cent of Ahold's expanded equity. The banks involved retain the right to accept over-subscriptions.

Pakhoed, the Dutch transport company, yesterday declared unconditional its fl 945 a share tender offer for Univar, a US chemicals distributor. Pakhoed holds 85.5 per cent of Univar following the bid worth nearly \$500m.

Nestlé benefits from weaker Swiss franc

By William Hall in Zurich

Nestlé, the world's biggest food group, increased sales by 5.5 per cent to Sfr28.4bn (\$22.6bn) in the first half of 1996, and expects its full-year sales to rise by more than 5 per cent, to rise by more than Sfr60bn. It will be the first increase in Nestlé's annual sales since 1993.

The growth in Nestlé's reported sales is another sign that large Swiss companies are starting to benefit from the recent weakening of the Swiss currency. Last week Roche, Switzerland's biggest company reported an 8 per cent rise in first-half sales, and Sandoz, another big pharmaceutical company, a 7 per cent increase.

Between 1993 and 1995 the Swiss franc appreciated by 15 per cent. This hit Nestlé hard, since it reports its results in Swiss francs, yet only about 2 per cent of its business is done in Switzerland.

Nestlé said yesterday the first-half figures were satisfactory, especially since the currency effect was still negative during the first months of the year. Over the past year the US dollar climbed from Sfr1.15 to Sfr1.25, and Nestlé says exchange rates are starting to exert a positive influence on its consolidated figures expressed in Swiss francs.

Despite Nestlé's optimistic statement, its sales growth was marginally less than some ana-

lysts had been expecting and its shares closed Sfr96 lower at Sfr1430 yesterday. Analysts were mildly disappointed by the first-half rise in sales volume of 3.6 per cent. This seemed to indicate a second quarter slowdown.

However, Nestlé refused to elaborate on the difference between its first and second quarters. It said progress had been "particularly notable" in Africa/Near East and in Asia, and that Europe had achieved "good internal growth".

With the exception of roast and ground coffee, almost all product groups contributed to the volume growth. The group's growing business in central and eastern Europe

was singled out for special mention, as were soluble coffee, other drinks and pet food. Nestlé said it looked forward to a positive trend in volume sales for the full year and provided there was no adverse move in exchange rates, it expected consolidated net profit to show "good growth".

Mr James Amoroso, of Credit Suisse in Zurich, said that the latest sales figures would not lead him to lower his estimate that Nestlé's net income would rise by 12 per cent in the current year to Sfr3.41bn, or Sfr96.5 a share. Mr Pierre Tissot, of Lombard Odier in Geneva, said he was sticking to his forecast of Sfr3.34bn, or Sfr94.8 a share.

Schering in Finnish pharmaceuticals buy

By Greg McIvor in Stockholm

The rapid restructuring of Europe's pharmaceuticals industry gained fresh impetus yesterday when Schering, the German drug group, announced the Fm1.49bn (\$310m) acquisition of Leiras, the pharmaceutical subsidiary of Huhtimäki of Finland.

The deal, subject to approval from the German Federal Cartel Office, involves the purchase of Leiras's non-ophthal-

mic operations in female healthcare and cancer therapy. Huhtimäki said the eye-care unit would be sold separately. Schering was advised by Morgan Stanley.

Dr Klaus Pohle, Schering vice-chairman, said the acquisition underlined the company's commitment to female healthcare, including contraception and hormone therapy, as one of three core areas, alongside diagnostic imaging and disabling disease control.

The Berlin-based group said the main benefit of the deal was Leiras's expertise in non-oral application forms for fertility control and hormone therapy. This would complement its oral-based product range in a market expected to grow faster than the overall pharmaceuticals market.

Huhtimäki is to repurchase a 10 per cent share of its equity from Pharmacia-Upjohn, the Swedish-US pharmaceuticals group, which has a joint enter-

prise with Leiras for the marketing of female healthcare products.

Pharmacia-Upjohn, which has been linked with the sale of Leiras's ophthalmic operations, said yesterday it had sold its shares to Huhtimäki's Dutch financing unit and would terminate the joint venture. However, it will continue to promote Leiras's highly-rated Mirena contraceptive method in the UK for two years.

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By: The Swiss Guarantee Bank, London, Reference Agent
July 17, 1996

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Wheelock meets forecasts with 6.6% rise

By John Ridding in Hong Kong

Wheelock and Company, the Hong Kong conglomerate, yesterday announced net profits of HK\$2.46bn (US\$318m) for the year to end-March, a rise of 6.6 per cent, as property revenues offset investments in new businesses and a downturn in retailing.

The results come during a period of transition for Wheelock, the holding company for the late Sir Y.K. Pao's listed corporate empire. The group is developing activities in investment banking, telecommunications and services, in addition to existing property and con-

tainer terminal businesses.

Industry analysts said the figures were largely in line with expectations and predicted that 1996-97 would see further, if unexciting, progress.

Mr Adrian Ngan, property analyst at SBC Warburg, forecast net profits of HK\$2.8bn for the current year, although he might trim this figure to take account of costs at the group's new activities.

Mr Gonzaga Li, chairman, pointed to the contribution from Wharf Holdings, Wheelock's main associate company, as the source of growth during 1995-96. He said that Wharf's biggest property holdings,

which include the Harbour City and Times Square complexes, maintained occupancy rates at more than 80 per cent at satisfactory rental levels.

Mr Li also highlighted the strong performance of the company's own property division. Eight housing developments were marketed over the past year, with sales of more than 840 units.

Other activities, however, had a more difficult year. Lane Crawford, the upmarket retailer, saw operating profits fall by 45 per cent to HK\$16.8m as a result of weak consumer spending in Hong Kong and problems at its Singapore operation.

Although the company cited "substantial progress" cable television operations continued to suffer losses as a result of heavy investments and below-target subscriptions.

Mr Li reported faster than expected development in corporate finance at Wheelock NatWest, the group's investment banking joint venture with National Westminster of the UK, while the Chinese brewing joint venture with Foster's of Australia is planning to double output at its Tianjin unit to respond to demand for the Largo and Great Wall brands.

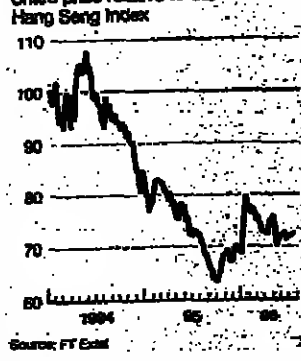
Last year's results were boosted by an exceptional gain of HK\$167m from the disposal of investments, lower than the comparable figure of HK\$222m for 1994-95 but higher than analysts' forecasts. Earnings per share rose from 114.3 cents to 122 cents, while the final dividend goes up from 26.5 cents to 29.5 cents, lifting the total from 37 cents to 41 cents.

Wheelock has mandated four banks to arrange an unsecured HK\$3bn revolving credit/term-loan facility, joint bookrunner Citicorp International said, Reuter reports from Hong Kong.

Other arrangers are Banque Nationale de Paris, J.P. Morgan Securities and NatWest

Wheelock

Share price relative to the Hang Seng Index



Markets. The facility has a five-year tenor. It is fully revolving during the initial 36 months from the loan agreement date and then becomes a term loan.

CSR and David Jones warn of profits downturn

By Nikki Tait in Sydney

Further evidence of the difficulties faced by Australia's corporate sector emerged yesterday when two leading companies issued profit warnings.

CSR, the Sydney-based building materials, sugar and aluminium producer, cautioned that it was unlikely to see any significant profits growth in the current financial year, which ends in March 1997.

"This is unlikely to be a year of profit growth," Mr Alan Coates, chairman, told shareholders at the annual meeting yesterday. "Indeed, higher prices and an early recovery in the level of demand for products supplied to the Australian housing industry are important if last year's profit level is to be achieved."

He added that "uncertainty" in the domestic market, in particular, made it "difficult and unwise to predict a profit outcome".

Like most of the larger listed building products companies in Australia, CSR has faced a slide in profits recently, as the local housing cycle has turned down sharply. In the year to end-March, it reported an after-tax profit (before abnormal) of A\$30.1m (US\$24m), an 18 per cent reduction on the 1994-95 figure.

Meanwhile, David Jones, the recently-floated Australian department stores group, warned that returns from its

end-of-year clearance sales had been "substantially lower than expected". As a result, its earnings before interest and tax for the year to July 27 are likely to be in the A\$85m to A\$100m range, compared with the prospectus forecast of A\$111m.

"We do not see any rapid improvement in the current environment and believe the four sales climate may continue for the remainder of the calendar year," it said. However, it added that after-tax profit for 1995-96 was likely to be higher than the forecast A\$64m because of a lower than predicted effective tax charge.

Normandy Mining, the Australian resources group, and two of its associated companies - PosGold and Gold Mines of Kalgoorlie - said yesterday independent experts had recommended that shareholders accept the terms of the group's revised merger proposal.

Normandy, headed by Mr Robert Champion de Crespigny, has been trying since November to organise a four-way merger with PosGold, its 50.1 per cent-owned gold mining arm, and GMR and North Flinders Mines, in which PosGold holds minority stakes.

Its efforts were held up when another company tried unsuccessfully to join the merger plan, which would create the eighth largest gold producer worldwide. New meetings to approve the share-swap terms have now been called for mid-August.

Handover bodes well for Hong Kong hoteliers

Buoyed by a strong home market, many in the industry have begun to look overseas for expansion

Hong Kong's hoteliers can look out on a beauteous view, not just the bustling harbour front or city-centre skyscrapers. Limited supply, strong demand, and the bonanza of next year's handover to China have banished the industry gloom of the early 1990s, prompting a rally in share prices and profits.

"The market is very strong," says Dr Lo Ka-shui, managing director of Great Eagle Holdings, a property and hotels group. "The prospects are better here than anywhere else for the next five years."

But Dr Lo and many of his counterparts are not staying put. Buoyed by the strength of their home market, Great Eagle and other Hong Kong groups are spreading their wings. A series of acquisitions and investments over recent months has driven expansion in the UK, US and the Asia-Pacific region, building the foundations of international networks and reducing the impact of any future domestic downturn.

For the moment, domestic difficulties are hard to discern. Furama Hotel Enterprises unveiled strong results for the year to the end of March, with net profits rising by 38 per cent to HK\$224.2m (US\$30m). Associated International Hotels, which operates the Hyatt Regency, raised operating profits by almost 20 per cent to HK\$235m, while other groups are reporting strong revenues and returns.

"This upturn is set to continue. 1997 will be a strong year for hotels," says Mr Euan Weir, vice-president of Merrill Lynch in Hong Kong. Many of

the territory's hotels, from the Peninsula to the Mandarin, are fully booked for the handover and are set to profit from the hordes of visitors eager to witness Hong Kong's transition from capitalist to communist sovereignty.

Nor is the handover the only factor. A report by Jardine Fleming points to a broader rise in regional tourist and business volumes, estimating annual visitor growth of about 500,000 over the next few years.

These arrivals may find it difficult to find rooms. Occupancy rates are forecast at 89 per cent this year and 92 per cent in 1997, according to the Hong Kong Tourist Association. Such high rates reflect a lack of new capacity over recent years, in part because a number of hotels, including the Hilton, have been demolished to make way for office blocks.

Bad news for room-seekers is good news for the bottom line. The Jardine Fleming report notes a strong increase in average room rates and predicts further rises of between 10 and 15 per cent for the next three years. Profit margins will also continue to widen, it says.

This rate of growth may seem too good to last, and it probably is. Drawn by improved returns, many of Hong Kong's property groups are looking anew at hotels. Cheung Kong, the property and infrastructure concern at the centre of Mr Li Ka-shing's empire, and Henderson Land are among the groups weighing the addition of hotels to ongoing developments. Property projects related to the territory's new airport will add about 5,000 rooms.

The prospect of increased supply has injected a note of caution for some in the industry. "I am reasonably optimistic for the next two years," says Mr Adrian Fu, chairman of Furama Hotel Enterprises. "However, I am concerned that business thereafter may level off due to the additional supply of new hotels together with the gradual shifting of tourist traffic from other cities in China and south-east Asia."



A lack of new capacity over recent years means many visitors to the territory may have difficulty finding a room

Another area of potential concern is the handover itself. "Hotels are in the front line if the transition undermines confidence and Hong Kong's position as a business centre," says one industry consultant. This cuts little ice with those in the business. Like most of his counterparts, Dr Lo is bullish on the prospects for the territory. "We have already committed HK\$10bn in investments over the next five years. That proves that we are optimistic."

Great Eagle is looking overseas, he says, not because of concerns about the home market but because of the limited opportunities to build or buy hotels in Hong Kong, and because of a strategy of developing an international network. In May, the company announced the \$100m (US\$135m) acquisition of the Langham Hilton in London, a first step which is set to be followed by others in the US, Dr Lo says.

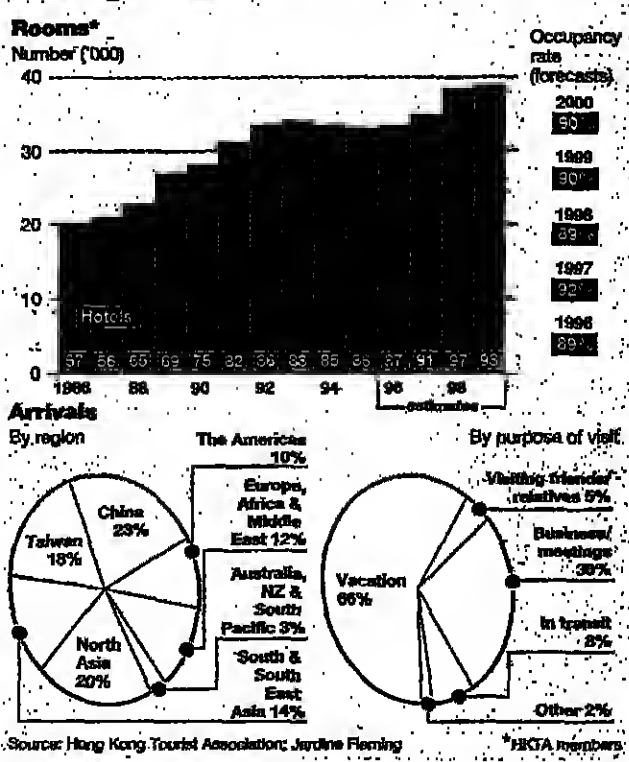
Others are making similar moves. Lal Sun Development, owner of the Ritz-Carlton in Hong Kong, is set to acquire the Four Seasons in New York. Hong Kong and Shanghai Hotels last month announced plans to build a Peninsula Hotel in Sydney, while Furama is developing projects in Vietnam.

China may hold the greatest potential. But the going is difficult. "In London we bought the land freehold. In China, today, they give us only 30 years," says Dr Lo. "We are bullish but the economics are not right, so we are fighting this."

With the economies in Hong Kong as they are at present, there is little need to hurry.

John Ridding

Bookings bonanza



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The Environmental Value Fund, a Luxembourg-registered open-ended global equity fund, seeks to invest in global equities that represent the best environmental practices and eco-efficient performance within a broad variety of industries. It is designed particularly for institutional investors who also seek competitive investment performance and broad diversification.

Anova Holding **Gerling Konzern**
Orkla **Trygg-Hansa**
Swiss Reinsurance **UNI Storebrand**

have initially subscribed
US\$ 70 million

SCUDDER

UNI STOREBRAND

This announcement is not an offer to sell units in the fund; any such offer can be made only by Prospectus and as permitted by applicable law. These securities having been sold, this announcement appears as a matter of record only.

AMPOLEX LIMITED

NOTICE OF REDEMPTION to the holders of Transferable Loan Certificate ("the Certificates") issued by Ampolex Limited (A.C.N. 000 113 217) pursuant to a U.S.\$125,000,000 Transferable Loan Certificate Facility Agreement ("the Facility Agreement") dated 21 April 1993

NOTICE IS HEREBY GIVEN that Ampolex Limited, ("the Issuer") will prepay from 18 October 1996 all outstanding Certificates together with all interest accrued thereon.

The Issuer reserves its right to prepay all amounts due under the Certificates other than on an Interest Payment Date.

THE BANKER

1000

USD 10,000,000.00 EURO MEDIUM TERM NOTE
PRINCIPAL OF SOCIETE GENERALE SGA
SOCIETE GENERALE ACCEPTANCE N.V.
AND SOCIETE GENERALE AUSTRALIA LIMITED
SERIE N°2294-4-TR1 SGA SOCIETE GENERALE
ACCEPTANCE N.V. FRF 1,100,000,000
FLOATING RATE NOTES DUE 2004
ISIN CODE : XS0048190556

For the period July 15, 1996 to October 14, 1996 the new rate has been fixed at 7.1380625% p.a.
Next payment date: October 14, 1996 Coupon nr 9
Amount: FRF 18048,96 for the denomination of FRF 100 000
Amount: FRF 18048,96 for the denomination of FRF 1 000 000

THE PRINCIPAL PAYING AGENT
SOCIETE GENERALE BANK & TRUST LUXEMBOURG

This notice is issued in compliance with the requirements of London Stock Exchange Limited (the "London Stock Exchange"). It does not constitute an invitation or offer to any person to subscribe for or purchase any shares.

Application has been made to the London Stock Exchange for the whole of the ordinary shares capital of Quintain Estates and Development PLC (the "Company") to be admitted to the Official List of the London Stock Exchange. It is expected that admission to the Official List will become effective and that dealings in the ordinary shares will commence on 23rd July 1996.

Quintain Estates and Development PLC

Sponsored by
Lazard Brothers & Co., Limited

Placing of up to 13,310,000 ordinary shares of 25p each at 115p per ordinary share

Share capital following the placing

Number	Amount	Number	Amount
4000000	£100,000,000	4000000	£100,000,000

The placing has not been underwritten and, accordingly, the number of ordinary shares in issue following the placing may be less than the number set out above.

A prospectus relating to Quintain Estates and Development PLC and the placing has been published and copies may be obtained during normal business hours on any weekday (excluding Sunday and public holidays) excepted from the date of this notice up to and including 23rd July 1996 from:

Quintain Estates and Development PLC	Lazard Brothers & Co., Limited	Canover & Co.
21 Boulevard	21 Boulevard	17 Boulevard
London	London	London
WT1 1LS	EC2P 2HT	EC2R 7AN

Copies of the prospectus will also be available (for collection only during normal business hours) from the Company's Administrative Office, London Stock Exchange, The London Stock Exchange Tower, Canal Street, London EC2A 4PU. It is expected that admission to the Official List will become effective and that dealings in the ordinary shares will commence on 23rd July 1996.

The ordinary shares have not been and will not be approved under the United States Securities Act 1933, as amended, nor under the securities laws of Canada or Australia and, subject to certain exceptions, may not be offered or sold within the United States, Canada or Australia.

23 July 1996

UNITED COLORS OF BENETTON

Benetton International N.V.
(Incorporated in The Netherlands)

Lit 200,000,000.000

4 1/2 per cent. Bonds due 1998 with Knock-Out Warrants relating to the ordinary shares of **Benetton Group S.p.A.** (Incorporated in Italy)

Guaranteed by **Benetton Group S.p.A.**

With regard to the Bonds loan referred to above, Benetton International N.V., as issuer of the Bonds, hereby gives notice that, pursuant to the provisions of the Terms and Conditions of the Knock-Out Warrants, it intends to exercise its option to provide cash settlement for the Warrants due on July 23, 1998 by paying an amount in Lire equal to the official price of the Benetton Group S.p.A. share at the Milan Stock Exchange on July 25, 1998.

July 17, 1996

PERSONAL

PUBLIC SPEAKING
Training and speech writing by award winning speaker.
First lesson free.
Tel: (01923 652298)

Rothschilds Continuation Finance B.V.
U.S. \$75,000,000

Subordinated Guaranteed Floating Rate Notes due 2015

For the six months 16th July 1996 to 16th January 1997 the Notes will carry an interest rate of 6.1875% per annum with a coupon amount of U.S. \$316.23 payable on 16th January 1997.

Costain

Westmi Health

Lucas on Varsity

CONTRACTS

PROCUREMENT

INVITATION TO PREPARE PROPOSALS FOR THE SUPPLY OF...

NATIONAL ACCOUNTING

INTERNATIONAL ACCOUNTING

ACCOUNTING COURSE

FOR ATTENTION

NATIONAL ACCOUNTING

ACCOUNTING COURSE

FOR ATTENTION

JAN 10 1996

Costain holder attacks rescue plan

By Andrew Taylor and Jane Martinson

Costain, the UK construction group, was yesterday accused by one of its largest shareholders, Kharafi of Kuwait, of trying to railroad investors into accepting a rescue plan. The industrial conglomerate, which owns 19 per cent of the UK construction group, said it would reject the rescue plan at an extraordinary meeting in London on Monday.

Mr Alan Lovell, Costain's chief executive, has warned the company would have to go into administrative receivership if its plans were rejected. Mr Ahmed Samy, Kharafi's investment manager, said in an interview with the Financial Times that the refinancing terms were inadequate and unfair to existing shareholders. The offer is expected to leave Intria, a Malaysian building group, with 40 per cent of Costain.

Mr Samy said Costain should seek a two- to three-month moratorium from its bankers to allow counter-proposals to be drawn up. Kharafi would consider investing more and raising its stake in Costain if this was necessary and finance was available. Intria is underwriting a large part of a £200m (\$142m) offer to Costain shareholders of three new shares at 50p for every one owned. The state of Costain's finances is such that most of

the stock is expected to be left with the underwriters. Costain's shares were suspended at 39p this month pending the outcome of the refinancing. Kharafi bought its stake at an average price of £1 a share, said Mr Samy. He complained that the offer price of 50p a share was too cheap and would allow Intria to buy a controlling interest in Costain. There was no guarantee that Intria would provide greater opportunities for Costain to win work in south-east Asia.

Intria would receive an underwriting fee of about £1m, cutting the cost of a 40 per cent stake to 48.75p a share. There were no constraints on it selling any of its stake once the refinancing was complete. Intria would have four seats on Costain's new 10-strong board while existing shareholders would have none. Costain needs a simple majority to approve the deal.



Through a glass smartly: David Davies inspects some plastic laminate

Keeping a careful eye on profits

Rising car sales in Europe and the US are driving a recovery in demand for catalytic converters produced by Johnson Matthey to clean exhaust fumes, writes Ross Tieman. Mr David Davies, chairman of the precious metals group, told shareholders at yesterday's annual meeting that a pick-up that began during the second half of last year was continuing, while efficiency gains helped the division's performance. Preparations for volume production of plastic laminate for packaging semi-conductor chips were going well, he said. Johnson Matthey is equipping a plant in Chippewa Falls, Wisconsin, to produce the material, which is expected to replace ceramics packaging as chip operating temperatures rise. Precious metals had made a steady start. Mr Davies said. The shares slipped 9p yesterday to 585p. Warburg is understood to hold a 10 per cent stake, acquired in a bought deal from Minorco less than two weeks ago.

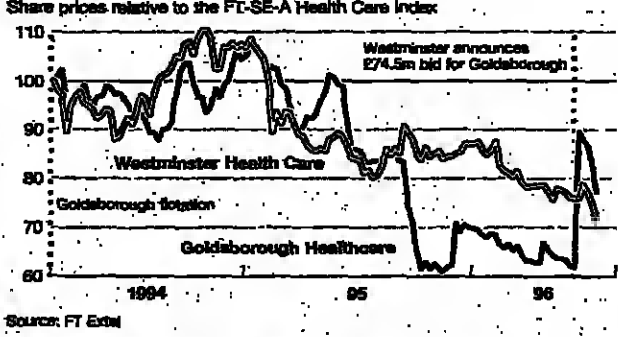
Westminster Health bid fails

By Simon Kuper

Westminster Health Care's £70.5m (\$110m) hostile bid for rival Goldborough Healthcare failed yesterday, with the predator securing acceptances for only 41 per cent of the shares. But there was controversy over the purchase by SBC Warburg, adviser to Goldborough, of 4.1 per cent of the target's shares at 150p on Monday. Warburg said it had bought the stake from a single investor on its own account, and the Take-over Panel said the unusual

move was legal. However, the purchase may have persuaded waverers not to accept Westminster's offer. Mr Graham Smith, Goldborough's chief executive, bought 15 per cent of the shares at 150p taking his holding to 3.4 per cent. One merchant banker said: "It will be interesting to see if Warburg do this for all their clients. It could be pretty expensive if they were doing this for a bigger company. The Goldborough share price is already off, so they've lost money on their investment."

Less than healthy shares



Goldborough shares closed 3p down at 145p yesterday, before Westminster said the bid had failed. The predator's shares firmed 3p to 298p. Westminster had been offering 54 of its shares for every 100 Goldborough shares. SBC Warburg has lost several corporate clients recently, including Legal & General and the Halifax Building Society.

Goldman buys CINMan

By Nicholas Denton

The 16-month saga of the sale of CINMan, the fund manager for the 500,000 current and future pensioners in coal industry schemes, is about to end - but the purchase price has fallen by about a third because of delays. Trustees of CINMan yesterday agreed in principle the sale of the bulk of its business to Goldman Sachs, the US investment bank, clearing the way for a deal to be announced today. Goldman Sachs, which has been seeking to expand into institutional fund management, is buying the marketable securities division, which represents about £150m of the £170m (\$26.5m) under management at CINMan. The purchase price of £40m-£50m in upfront and deferred payments is substantially lower than the £70m Friends Provident agreed to pay last December in a deal that fell through within six weeks. Moreover, the trustees have had to commit to leaving their funds with Goldman Sachs for six years, while only eight months ago they had insisted on freedom to change after four years. CINMan, which is owned by British Coal, the rump company left after the sale of the coal mines to private sector companies such as RJB Mining, was put up for sale last year to complete the privatisation of the industry.

Lucas on verge of Varsity tie-up

By Ross Tieman

Varsity Corporation is this week expected to receive approvals from the US Securities and Exchange Commission for its proposed merger with Lucas Industries to create a new world force in the manufacture of automotive components. The approvals will clear the way for Varsity to call a shareholders' meeting, provisionally scheduled for August 20, to seek authorisation to complete the deal. The meeting of Varsity shareholders is expected to come a week after a similar meeting being convened by Lucas in

London to seek formal consent from its own shareholders. The European Commission has now approved the deal, saying it will enhance competition in the European market for anti-lock brakes, which is dominated by Bosch and ITT. In the UK the only official consent still required is that of the High Court for the scheme of arrangement under which Lucas would become a subsidiary of a new company, Lucas Varsity. Documents have been lodged with the court and the approval is expected on August 13, when Lucas plans its extraordinary meeting. Varsity will subsequently be merged into a US subsidiary.

Hunting warns after write-off

By Bernard Gray, Defence Correspondent

Hunting, the defence, aviation and oil group, has warned that it will make a substantial first half loss and only "a small profit" for the year as a whole, following management problems at its aviation division which have led to write-offs of £40m (\$62.4m). The slump this year comes after a pre-tax profit of £31m in 1995 on turnover of £1.13bn. The biggest problem is in the design and production of interiors for the de Havilland Dash-8 commuter aircraft at the company's Biggles Hill site. Hunting did not disclose the

amount it has set aside against the contract, but the figure is thought to be about £30m. In May, Hunting warned that there would be losses on the design of the product, and two executives left the company. A further investigation by executives from Hunting's defence division uncovered the high production costs. The company has also written off £10.5m against an investment it made in developing the British Aerospace Jetstream 41. Taken together the losses of about £40m will all but wipe out its trading profit and exceptional profit of £7m on the disposal of a construction business.

Small shareholder launches legal action on Trafalgar bid

By Geoff Dyer

A small shareholder in Trafalgar House will launch a legal action in the High Court today claiming the terms of £904m (\$1.4bn) recommended bid for the group by Kvaerner of Norway were unfair. Mr Simon Israel, who owns 75,000 convertible preference shares, alleges that the directors and Schroders, the group's financial advisers, were wrong to tell shareholders the terms were "fair and reasonable". If the case is successful, Kvaerner may have to increase

its offer for the convertible preference shares and Schroders could become the subject of separate legal actions. Kvaerner has offered 50p per ordinary share and 80p per convertible. Mr Israel argues the redemption value of the convertibles is at least 100p, and that this should have been fully paid before any funds were allocated to ordinary shares. He also says Kvaerner is paying the full redemption amount for two other classes of privately held preference shares. Mr Israel will also claim that

Schroders did not present a written fairness opinion to the Trafalgar House board, recommending that it accept or reject the Kvaerner bid. Mr John Reynolds, a director at Schroders who has been subpoenaed to attend the hearing, said the allegations had no substance. Convertible preference shares only redeemed at par under a winding-up situation, not a takeover. It was standard practice to give the board an oral rather than a written recommendation. Trafalgar House refused to comment on the case.

RESULTS		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends		Total for year		Total last year	
			(£)		(£)		(p)	Current period	Date of payment	Corresponding dividend	Total for year	Total for year	Total last year
Boag	Yr to Mar 31	6.08	(6.5)	0.244	(0.294)	3.01	(2.9)	0.275	Oct 4	0.25	0.395	0.35	0.35
Boag A	Yr to Mar 31	-	-	-	-	-	-	0.25	Oct 4	0.5	0.77	0.7	0.7
First Information	6 mths to Apr 30	1.8	(1.02)	1.27	(1.18)	8	(24)	-	-	-	-	-	-
Int'l Groupings	Yr to Mar 31	44.2	(40.4)	3.09	(2.12)	45.5	(37.4)	10	Aug 8	-	15	-	-
Manning Home Procs	3 mths to June 30	-	-	-	-	-	-	1.25	Oct 1	-	0.8	-	-
Parkland	14 mths to May 31	84.4	(67.7)	3.07	(2.18)	30.3	(22.8)	1.5	Oct 7	3.5	7	5.5	5.5
Reflex Security	Yr to May 31	82.5	(82.5)	4.15	(6.95)	12	(10.8)	5	Oct 1	4.4	6.75	5.8	5.8
Waterfall	8 mths to Mar 31	2.47	(1.5)	0.091	(0.053)	0.92	(0.58)	-	-	-	-	-	-
Investment Trusts	NAV (p)			Applicable Dividends (p)		EPS (p)		Current dividend	Date of payment	Corresponding dividend	Total for year	Total last year	
Flamingo High Inc	6 mths to June 30	98.2	(98.5)	0.87	(0.74)	4.3	(4.3)	1.22	Oct 1	1.15	-	4.5	-
Guinness British	17 mths to Apr 30	122.4	(-)	0.323	(-)	0.3	(-)	2.14	Aug 31	1.95	-	7.95	-
Northgate	Yr to May 31	181.8	(162.3)	1.53	(1.58)	5.42	(5.6)	2.9	Sept 5	2.75	4.85	4.45	4.45

CONTRACTS & TENDERS

PROCUREMENT NOTICE

INVITATION TO PREQUALIFICATION

for participation in international open tender for concession of some sections of motorways in ROMANIA

NATIONAL ADMINISTRATION OF ROADS (NAR)

autonomous state authority within the MINISTRY OF TRANSPORT (MT), on the basis of Government Ordinance No.30/1995 issues an

INVITATION

to participate in the INTERNATIONAL PREQUALIFICATION PROCEDURE with the purpose of selecting Companies or Consortia which are able to participate in the international public tender for

MOTORWAY CONCESSION CONTRACT

having as the objective:

- to finance, using their own funds, to construct, to operate in toll system and to maintain the motorway:

- Bucharest-Giurgiu to length 43Km;
- Bucharest-Constanta to length 204 Km;
- Bucharest-South Ring to length 58 Km;
- operation of toll system and maintenance of the motorway:
- Bucharest - Pitesti to length 98Km

In accordance with the terms to be negotiated and agreed upon between the parties to the Concession Contract. Only prequalified Applicants will be invited to participate and to submit a "Tender for Concession".

Preliminary information regarding the prequalification and forms of "REQUEST FOR PREQUALIFICATION" (RFP) may be obtained at the address below, between 10.00 - 15.00 local time on workdays from Monday, 15th July 1996 against a receipt of payment of US \$ 2000 (two thousand US \$), or equivalent in local or any other convertible currency.

This amount will be paid at NAR head office, or by bank transfer to the following accounts:

Romanian Commercial Bank - Bucharest Branch (Banca Comerciala Romana - Sucursala Municipala Bucaresti)

For payment in US\$, Account No.: 302571001
For payment in US\$, Account No.: 472461500490
For payment in DM, Account No.: 472432000490

Request for Prequalification shall be completed and signed and then submitted in English at the address below before 30 August 1996, 12.00 (local time).

NATIONAL ADMINISTRATION OF ROADS
MOTORWAY DEPARTMENT
38, Bulevard Gheorghe B. Sector 2,
77119 BUCHAREST, ROMANIA

FOR ATTENTION:
Mr. Iulian DANILA, Director of Motorway Department
Mr. Alexandru TEODORESCU, Chief of Motorway Department
Phone: (+40) 1 222 7131; (+) 40 1 323 8998
Fax: (+) 40 1 312 0684

Each applicant will be notified separately of the Prequalification review Committee's decision.
The decision of the Committee will be final.
BUCHAREST, 15 July 1996
NATIONAL ADMINISTRATION OF ROADS

NEWS DIGEST

Sales rise at the Pru and Sun Life

Sales of life insurance, pensions and investment products grew strongly at two UK life insurers during the first half of 1996. Prudential Corporation, the UK's largest life assurance group, raised overall new business - based on an index of regular premium sales plus 10 per cent of single premium sales - by 27 per cent to £828m (\$972m). Sun Life Corporation, a wholly owned subsidiary of Sun Life and Provincial, the newly-floated UK and Ireland arm of UAP, the French insurer, increased total new business by 19 per cent to £144.4m. Shares in the Pru eased 2p to 413p, while shares in Sun Life increased 2p to 221p. Single contribution life, pensions and investment sales at the Prudential increased by 35 per cent to £3.33bn, while regular contribution sales rose by 18 per cent to £290m. In the US, single premium sales at Jackson National Life, the Pru's American subsidiary increased by 17 per cent to a record \$1.64bn. Asian sales of regular premium products increased by 17 per cent to \$42m, with particularly strong performances in the group's Malaysian and Singaporean subsidiaries. Sales of single premium products surged 86 per cent to \$41m. At Sun Life, new regular premium income rose by 14 per cent to \$51m in the first half. Single premiums increased by 24 per cent to \$283.6m. *Marko Rich*

BA sees lower fares in AA link

British Airways launched a staunch defence yesterday of its proposed alliance with American Airlines, claiming that the deal would result in lower transatlantic fares. Speaking at the group's annual meeting in London, Sir Colin Marshall, chairman, said the tie-up would allow BA to "compete more strongly with other alliances" and to maintain "a continual drive to lower fares in real terms." The two airlines will co-ordinate schedules and share revenues from their transatlantic operations. Sir Colin was responding to criticism of the BA-American deal, which was announced last month and which is awaiting regulatory approval. *Geoff Dyer*

US clearance for Glaxo drug

Glaxo Wellcome has received US marketing clearance for its anaesthetic, Ultiva (remifentanyl). It is the first in a new class of anaesthetics and painkillers, characterised by extremely fast onset and offset of action. The FDA is the second licensing authority to approve Ultiva. It is already on the market in Germany, and Glaxo expects to receive clearance soon elsewhere in Europe.

OF COURSE YOU NEED AN INVESTMENT BANK WITH KEEN BRAINS TO COME UP WITH THE ANSWERS BUT YOU ALSO NEED ONE WITH THE FINANCIAL STRENGTH TO PUT ITS MONEY WHERE ITS ADVICE IS

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REGULATED BY SFA AND BMO A DIVISION OF PARLAYS BANK PLC

ISSUE OF £2,000,000,000

8% TREASURY STOCK 2000

**INTEREST PAYABLE HALF-YEARLY ON 7 JUNE AND 7 DECEMBER
FOR AUCTION ON A BID PRICE BASIS ON 23 JULY 1996**

PAYABLE IN FULL WITH APPLICATION

With a competitive bid
With a non-competitive bid

Price bid plus accrued interest
£107 per £100 nominal of Stock

This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 24 July 1996.

1. THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite bids for the above Stock.
2. The principal of and interest on the Stock will be a charge on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.
3. The Stock will be repaid at par on 7 December 2000.
4. Stock issued under this prospectus will rank in all respects pari passu, and will be immediately fungible, with the existing Stock and will be amalgamated with the existing Stock in the Central Gilt Office (CGO) on issue and on the register on registration. Consequently, the price payable for the Stock will include an amount equal to accrued interest from 7 June 1996, the last interest payment date of the Stock, until settlement on 24 July 1996 at the rate of £1.03014 per £100 nominal of Stock.
5. The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the CGO Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1962 and the relevant subordinate legislation. Under current legislation, transfers will be free of stamp duty.
6. Interest is payable half-yearly on 7 June and 7 December. Income tax will be deducted from interest payments unless a relevant exemption applies. Interest warrants will be sent by post. This further issue of the Stock will rank for the full six months' interest due on 7 December 1996.
7. The Stock may be held on the National Savings Stock Register.
8. The Stock and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is to the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.
9. Further, the interest payable on the Stock will be exempt from United Kingdom income tax, present or future, so long as it is shown that the Stock is to the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.
10. For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.
11. Applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inland Revenue, Financial Intermediaries and Claims Office, Fitz Roy House, PO Box 46, Nottingham, NG2 1BD.
12. These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law, under the provisions of the Taxes Management Act 1970, Section 43 (1), no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on to the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purposes of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.
13. It is intended that, if an official facility for the stripping of gilt-edged securities is introduced, the Stock will be stripable subject to the terms of that facility. On 10 July 1995 the Chancellor of the Exchequer announced that the Government had decided in principle to introduce such a facility and had also decided that any securities made

stripable through any such facility would be exempt from withholding tax and from the quarterly accounting arrangements which were introduced with effect from 2 January 1996 in connection with sale and repurchase agreements for gilt-edged securities. The starting date for an official strips facility will be announced in due course.

14. Further details of the tax treatment of securities resulting from the stripping of stock of this issue will be determined at or prior to the commencement of an official strips facility. Accordingly, the availability and terms of the exemptions in paragraphs 8 to 12 above in relation to such stripped securities are subject to modification.
15. Method of Application
16. Bids may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the application form published with the prospectus. Each application form must comprise either one competitive bid or one non-competitive bid. Gilt-edged market makers may bid by telephone to the Bank of England not later than 10.00 am on Tuesday, 23 July 1996.
17. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than 10.00 AM ON TUESDAY, 23 JULY 1996; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than 3.30 PM ON MONDAY, 22 JULY 1996. Bids will not be revocable between 10.00 am on Tuesday, 23 July 1996 and 10.00 am on Friday, 26 July 1996.
18. The Bank of England reserves the right to require evidence of the identity of any applicant for Stock or of any person for whom an applicant is acting as agent. Failure to provide satisfactory evidence of identity may result in delays in despatch of certificates. In addition, if, for whatever reason, such evidence of identity is not provided as soon as is reasonably practicable (to the Bank of England's determination) and in any event within 21 days after the auction, the Bank of England may reject the application or cancel the sale of any Stock, and take any other action it may think fit.
19. Cancellation of a sale of Stock for any reason will not affect the non-competitive sale price or any other sale of Stock.

20. **COMPETITIVE BIDS**
(i) Each competitive bid must be for one amount and at one price, excluding accrued interest, expressed as a multiple of 1/32nd of £1 and must be for a minimum of £500,000 nominal of Stock and for a multiple of Stock as follows:-

Amount of Stock applied for	Multiple
£500,000-£1,000,000	£100,000
£1,000,000 or greater	£1,000,000

- (ii) Unless the applicant is a member of the CGO Service, PAYMENT IN FULL AT THE PRICE BID PLUS ACCRUED INTEREST AT THE RATE OF £1.03014 PER £100 NOMINAL OF STOCK MUST BE MADE BY A CHAPS PAYMENT. Each CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account number 58560009) quoting the reference "8TY2000", to arrive not later than 1.30 pm on Wednesday, 24 July 1996. CHAPS payments must be debited to an account in the name of the applicant (or an account in the joint names of the applicant and one or more others) held with a bank or building society in the United Kingdom.

- (iii) The Bank of England reserves the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and Stock will be sold to applicants whose competitive bids are at or above the lowest price at which the Bank of England decides that any competitive bid should be accepted (the lowest accepted price). APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE PRICES WHICH THEY BID (PLUS ACCRUED INTEREST); competitive bids which are accepted and which are made at prices above the

lowest accepted price will be satisfied in full; competitive bids which are accepted and which are made at the lowest accepted price may be satisfied in full or in part only.

20. **NON-COMPETITIVE BIDS**
(i) A non-competitive bid, other than one made by a gilt-edged market maker, must be for not less than £1,000 nominal and not more than £500,000 nominal of Stock, and must be for a multiple of £1,000 nominal of Stock.
(ii) Only one non-competitive bid may be submitted for the benefit of any one person, and each non-competitive application form may comprise only one non-competitive bid. Multiple applications or suspected multiple applications are liable to be rejected.
(iii) Unless the applicant is a member of the CGO Service, a separate cheque representing PAYMENT AT THE RATE OF £107 FOR EVERY £100 NOMINAL OF STOCK APPLIED FOR must accompany each non-competitive bid; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.
(iv) The Bank of England reserves the right to reject any non-competitive bid. Non-competitive bids which are accepted will be accepted in full at the non-competitive sale price plus accrued interest at the rate of £1.03014 per £100 nominal of Stock. The non-competitive sale price will be EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED, the average being weighted by reference to the amount accepted at each price and ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.
(v) If the non-competitive sale price, plus accrued interest, is less than £107 per £100 nominal of Stock, the balance of the amount paid on application will be refunded by cheque sent by post at the risk of the applicant.
(vi) If the non-competitive sale price, plus accrued interest, is greater than £107 per £100 nominal of Stock, applicants whose non-competitive bids are accepted may be required to make a further payment equal to the non-competitive sale price, plus accrued interest, less £107 for every £100 nominal of Stock allocated to them. An applicant from whom a further payment is required will be notified by letter by the Bank of England of the amount of Stock allocated to him and of the further payment due, but such notification will confer no right on the applicant to transfer the amount of Stock so allocated. The despatch of certificates to applicants from whom a further payment is required will be delayed until such further payment has been made.
(vii) Each gilt-edged market maker may bid non-competitively for up to 0.5% of the Stock on offer.

21. The Bank of England may sell less than the full amount of the Stock on offer at the auction.

22. The Stock will be issued in registered form. Except in the case of Stock held for the account of members of the CGO Service (for whom separate arrangements apply), registration will be in accordance with the instructions given in the application form. The Bank of England may decline to register Stock unless it has obtained such evidence as it may require of the identity of the applicant and of any person for whom the applicant may be acting as agent.

23. Certificates in respect of the Stock sold (other than amounts held in the CGO Service for the account of members) and the refund of any excess amount paid, may at the discretion of the Bank of England be withheld until the applicant's cheque has been paid or CHAPS payment received and, where required, satisfactory evidence of identity has been received. In the event of such withholding, the applicant will be notified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to the payment of his cheque or receipt of his CHAPS payment, or to the receipt of satisfactory evidence of identity

as appropriate, but such notification will confer no right on the applicant to transfer the Stock so allocated. Certificates will be sent by post at the risk of the applicant.

24. No sale will be made of a less amount than £1,000 nominal of Stock. If an application is satisfied in part only, the excess amount paid will, when refunded, be remitted by cheque despatched by post at the risk of the applicant; if an application is rejected the amount paid on application will be returned likewise. Non-payment on presentation of a cheque or non-receipt of a CHAPS payment on the due date in respect of any Stock sold will render such Stock liable to forfeiture. Interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1% per annum may, however, be charged on the amount payable in respect of any Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such sources or sources as the Bank of England shall consider appropriate.

25. Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section 3 of the application form, request that any Stock sold to him be credited direct to his account in the CGO on Wednesday, 24 July 1996 by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, Number 2 Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 24 July 1996 shall for the purposes of this prospectus constitute default in due payment of the amount payable in respect of the relevant Stock.

26. Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1JW; at the Central Gilt & Moneymarkets Office, Bank of England, Threadneedle Street, London, EC2R 8AH or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moynihan Buildings, 1st Floor, 20 Colander Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange.

27. The taxation position of the Stock, under current legislation, is broadly as follows:

- (i) The Stock is a gilt-edged security for the purposes of Schedule 9 to the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal of the Stock will not give rise to a chargeable gain or allowable loss for the purposes of capital gains tax.
- (ii) Gilt-edged securities which are not strips are not "relevant discounted securities" for the purposes of Schedule 13 to the Finance Act 1996. Thus, for a holder of the Stock who is neither trading in the Stock nor within the charge to corporation tax in respect of it, United Kingdom income tax arising in relation to holdings of the Stock will generally be limited to income tax on interest received or, in certain circumstances, accrued.
- (iii) For a holder within the charge to corporation tax, a holding of the Stock will be a "loan relationship" to which the provisions of Chapter II of Part IV of the Finance Act 1996 will apply.

Government Statement
Attention is drawn to the statement issued by Her Majesty's Treasury on 29 May 1985 which explained that, to the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax changes decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise to any claim for compensation.

BANK OF ENGLAND
LONDON

16 July 1996

APPLICATION FORM

Complete Sections 1 or 2, plus Sections 6 and 8. Sections 3, 4, 5 and 7 should also be completed where appropriate.
TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND
I/We apply in accordance with the terms of the prospectus for competitive and non-competitive bids dated 16 July 1996 as follows:-

FOR COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the price bid plus accrued interest)
See notes (a) and (b) below.

Nominal amount of 8% Treasury Stock 2000 applied for: £

Amount of Stock applied for	Multiple
£500,000-£1,000,000	£100,000
£1,000,000 or greater	£1,000,000

Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1:

£	32nds
£	p
1	03.014

PLUS accrued interest at the rate of £1.03014 per £100 nominal of Stock:

£	p
£	p

Total amount payable per £100 nominal of Stock (excluding accrued interest): £

Amount required for payment IN FULL AT THE PRICE BID PLUS ACCRUED INTEREST: £

FOR NON-COMPETITIVE BIDS ONLY
(ie for Stock to be purchased at the non-competitive sale price, plus accrued interest, as defined in the prospectus)
See notes (c) and (d) below.

Nominal amount of 8% Treasury Stock 2000 applied for, being a multiple of £1,000, with a minimum of £1,000 and a maximum of £500,000 nominal of Stock: £

Sum enclosed, being £107 for every £100 NOMINAL of Stock applied for: £

FOR CGO MEMBERS ONLY
CGO Participant Number _____
Name of Contact _____ Telephone Number _____

REGULATED FINANCIAL INSTITUTIONS ONLY

(unless Section 3 applies)
Name of Regulator _____
Membership/Reference Number _____
Country/Territory of Regulator _____

THIS SECTION TO BE COMPLETED BY APPLICANTS ACTING AS AGENT FOR ANY THIRD PARTY

(unless the applicant is a CGO member or is a UK or EEA regulated financial institution, and Section 3 or 4 has been completed)
Full name and permanent address of each third party:
FORENAME(S) AND SURNAME ADDRESS (including postcode) _____
If additional spacing is required, please continue on separate sheet.

THIS SECTION TO BE COMPLETED BY ALL APPLICANTS

I/We request that Stock sold to me/us be registered to the undermentioned name(s) and that any certificate be sent by post at my/our risk to the first named holder at the address shown below.

IN THE CASE OF A NON-COMPETITIVE APPLICATION (other than one made by a gilt-edged market maker) I/we warrant that to my/our knowledge this is the only non-competitive application made for my/our benefit (or for the benefit of the persons on whose behalf I am/we are applying).

IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION 3, we request that any Stock allocated to us be credited direct to our account at the CGO. We hereby irrevocably undertake to accept such Stock by member-to-member delivery through the CGO Service from the Governor and Company of the Bank of England, Number 2 Account (Participant number 5183) by the deadline for such deliveries on 24 July 1996, and we agree that the consideration to be input in respect of such delivery shall be the amount payable by us on the sale of such Stock in accordance with the terms of the prospectus.

IN THE CASE OF AN APPLICATION MADE ON BEHALF OF A THIRD PARTY, I/we have obtained and recorded evidence of the identity of each person on whose behalf I am/we are applying, and I/we will on demand make such evidence available to the Bank of England or the relevant authority.

SIGNATURE(S) _____
of, or on behalf of, applicant
Date _____

DETAILS OF APPLICANT(S)

(If not the person(s) in section 8)
FORENAME(S) AND SURNAME(S) ADDRESS (including postcode) _____

REGISTRATION DETAILS

Stock may be registered in the names of individuals or a corporate body.

CAPITAL LETTERS PLEASE

Title Forename(s) in full Surname
Address _____
Postcode _____

Title Forename(s) in full Surname
Address _____
Postcode _____

Daytime Telephone Number (in case there is a query) _____

FOR BANK OF ENGLAND USE

Box No.	Ext.	Transaction Number
728		161/

Branch Number	New Account No.	Cert. Postal Code

The Stock will be registered on the Bank of England Register, unless you wish the Stock to be registered on the National Savings Stock Register (NSSR) (for which there is a maximum limit of £25,000 nominal of Stock) or at the Bank of Ireland, Belfast, in which case please tick the appropriate box.

NSSR
BELFAST

NOTES

- (a) A competitive bid may not be made by an applicant as agent for any third party unless the applicant is a member of the CGO or is a UK or EEA regulated financial institution.
- (b) Except in the case of members of the CGO Service who have completed Section 3, a CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account number 58560009) quoting the reference "8TY2000", to arrive not later than 1.30 pm on Wednesday, 24 July 1996. CHAPS payments must be debited to an account in the name of the applicant (or an account in the joint names of the applicant and one or more others) held with a bank or building society in the UK.
- (c) A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "New Issues"; and must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man. The Bank of England reserves the right to require evidence of the identity of any applicant for Stock or of any person for whom an applicant is acting as agent. An applicant lodging an application form in person should bring evidence of identity bearing the applicant's photograph (for example a passport) and evidence of the applicant's name and address from a third party, for example a recent bill from a gas, electricity or telephone company or a bank or building society statement.
- (d) The procedure for any refund, or further amount payable, is set out in the prospectus.

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 AM ON TUESDAY 23 JULY 1996; OR LODGED BY HAND AT THE CENTRAL GILT & MONEYMARKETS OFFICE, BANK OF ENGLAND, THREADNEEDLE STREET, LONDON NOT LATER THAN 10.00 AM ON TUESDAY, 23 JULY 1996; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON MONDAY, 22 JULY 1996.

JAM 10 1350

السوق المالية

ISSUE OF £1,500,000,000

8% TREASURY STOCK 2015

INTEREST PAYABLE HALF-YEARLY ON 7 JUNE AND 7 DECEMBER
FOR AUCTION ON A BID PRICE BASIS ON 25 JULY 1996

PAYABLE IN FULL WITH APPLICATION

With a competitive bid
With a non-competitive bid

Price bid plus accrued interest
£102 per £100 nominal of Stock

This Stock will, on issue, be an investment falling within Part II of the First Schedule to the Trustee Investments Act 1961. Application has been made to the London Stock Exchange for the Stock to be admitted to the Official List on 26 July 1996.

- THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND invite bids for the above Stock.
- The principal of and interest on the Stock will be chargeable on the National Loans Fund, with recourse to the Consolidated Fund of the United Kingdom.
- The Stock will be repaid at par on 7 December 2015.
- Stock issued under this prospectus will rank in all respects pari passu, and will be immediately fungible, with the existing Stock and will be assigned with the existing Stock in the Central Gilt Office (CGO) on issue and on the register on registration. Consequently, the price payable for the Stock will include an amount equal to accrued interest from 7 June 1996, the last interest payment date of the Stock, until settlement on 26 July 1996 at the rate of £1.07397 per £100 nominal of Stock.
- The Stock will be registered at the Bank of England or at the Bank of Ireland, Belfast, and will be transferable, in multiples of one penny, by instrument in writing in accordance with the Stock Transfer Act 1963. Stock registered at the Bank of England held for the account of members of the CGO Service will also be transferable, in multiples of one penny, by exempt transfer in accordance with the Stock Transfer Act 1962 and the relevant subordinate legislation. Under current legislation, transfers will be free of stamp duty.
- Interest is payable half-yearly on 7 June and 7 December. Income tax will be deducted from interest payments unless a relevant exemption applies. Interest warrants will be sent by post. This further issue of the Stock will rank for the full six months' interest due on 7 December 1996.
- The Stock may be held on the National Savings Stock Register.
- The Stock and the interest payable thereon will be exempt from all United Kingdom taxation, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are neither domiciled nor ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.
- Further, the interest payable on the Stock will be exempt from United Kingdom income tax, present or future, so long as it is shown that the Stock is in the beneficial ownership of persons who are not ordinarily resident in the United Kingdom of Great Britain and Northern Ireland.
- For the purposes of the preceding paragraphs, persons are not ordinarily resident in the United Kingdom if they are regarded as not ordinarily resident for the purposes of United Kingdom income tax.
- Applications for exemption from United Kingdom income tax should be made in such form as may be required by the Commissioners of Inland Revenue. The appropriate forms may be obtained from the Inland Revenue, Financial Intermediaries and Claims Office, Fitz Roy House, PO Box 46, Nottingham, NG2 1BD.
- These exemptions will not entitle a person to claim repayment of tax deducted from interest unless the claim to such repayment is made within the time limit provided for such claims under income tax law; under the provisions of the Trusts Management Act 1970, Section 43 (1), no such claim will be outside this time limit if it is made within six years from the date on which the interest is payable. In addition, these exemptions will not apply so as to exclude the interest from any computation for taxation purposes of the profits of any trade or business carried on in the United Kingdom. Moreover, the allowance of the exemptions is subject to the provisions of any law, present or future, of the United Kingdom directed to preventing avoidance of taxation by persons domiciled, resident or ordinarily resident in the United Kingdom, and, in particular, the interest will not be exempt from income tax where, under any such provision, it falls to be treated for the purposes of the Income Tax Acts as income of any person resident or ordinarily resident in the United Kingdom.
- It is intended that, if an official facility for the stripping of gilt-edged securities is introduced, the Stock will be stripable subject to the terms of that facility. On 10 July 1995 the Chancellor of the Exchequer announced that the Government had decided in principle to introduce such a facility and had also decided that any securities made

stripable through any such facility would be exempt from withholding tax and from the quarterly accounting arrangements which were introduced with effect from 2 January 1996 in connection with sale and repurchase agreements for gilt-edged securities. The starting date for an official strips facility will be announced in due course.

14. Further details of the tax treatment of securities resulting from the stripping of stock of this issue will be determined at or prior to the commencement of an official strips facility. Accordingly, the availability and terms of the exemptions in paragraphs 8 to 12 above in relation to such stripped securities are subject to modification.

Method of Application

15. Bids may be made on either a competitive or a non-competitive basis, as set out below, and must be submitted on the application form published with the prospectus. Each application form must comprise either one competitive bid or one non-competitive bid. Gilt-edged market makers may bid by telephone to the Bank of England not later than 10.00 am on Thursday, 25 July 1996.

16. Application forms must be sent to the Bank of England, New Issues, PO Box 444, Gloucester, GL1 1NP to arrive not later than 10.00 AM ON THURSDAY, 25 JULY 1996; or lodged by hand at the Central Gilt & Moneymarkets Office, Bank of England, Threadneedle Street, London not later than 10.00 AM ON THURSDAY, 25 JULY 1996; or lodged by hand at any of the Branches or Agencies of the Bank of England not later than 3.30 PM ON WEDNESDAY, 24 JULY 1996. Bids will not be revocable between 10.00 am on Thursday, 25 July 1996 and 10.00 am on Tuesday, 30 July 1996.

17. The Bank of England reserves the right to require evidence of the identity of any applicant for Stock or of any person for whom an applicant is acting as agent. Failure to provide satisfactory evidence of identity may result in delays in despatch of certificates. In addition if, for whatever reason, such evidence of identity is not provided as soon as is reasonably practicable (in the Bank of England's determination) and to any extent within 21 days after the auction, the Bank of England may reject the application or cancel the sale of any Stock, and take any other action it may think fit.

18. Cancellation of a sale of Stock for any reason will not affect the non-competitive sale price or any other sale of Stock.

19. COMPETITIVE BIDS

(i) Each competitive bid must be for one amount and at one price, excluding accrued interest, expressed as a multiple of 1/32nd of £1 and must be for a minimum of £500,000 nominal of Stock and for a multiple of Stock as follows:

Amount of Stock applied for	Multiple
£500,000-£1,000,000	£100,000
£1,000,000 or greater	£1,000,000

(ii) Unless the applicant is a member of the CGO Service, PAYMENT IN FULL AT THE PRICE BID PLUS ACCRUED INTEREST AT THE RATE OF £1.07397 PER £100 NOMINAL OF STOCK must be made by a CHAPS payment. Each CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account number 88560009) quoting the reference "8TY2015", to arrive not later than 1.30 pm on Friday, 26 July 1996. CHAPS payments must be debited to an account in the name of the applicant (or an account in the joint names of the applicant and one or more others) held with a bank or building society in the United Kingdom.

(iii) The Bank of England reserves the right to reject any competitive bid or part of any competitive bid. Competitive bids will be ranked in descending order of price and Stock will be sold to applicants whose competitive bids are at or above the lowest price at which the Bank of England decides that any competitive bid should be accepted (the lowest accepted price). APPLICANTS WHOSE COMPETITIVE BIDS ARE ACCEPTED WILL PURCHASE STOCK AT THE PRICES WHICH THEY BID (PLUS ACCRUED INTEREST); competitive bids which are accepted and which are made at prices above the

lowest accepted price will be satisfied in full; competitive bids which are accepted and which are made at the lowest accepted price may be satisfied in full or in part only.

20. NON-COMPETITIVE BIDS

(i) A non-competitive bid, other than one made by a gilt-edged market maker, must be for not less than £1,000 nominal and not more than £500,000 nominal of Stock, and must be for a multiple of £1,000 nominal of Stock.

(ii) Only one non-competitive bid may be submitted for the benefit of any one person, and such non-competitive application form may comprise only one non-competitive bid. Multiple applications or suspected multiple applications are liable to be rejected.

(iii) Unless the applicant is a member of the CGO Service, a separate cheque representing PAYMENT AT THE RATE OF £102 FOR EVERY £100 NOMINAL OF STOCK APPLIED FOR must accompany each non-competitive bid; cheques must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man.

(iv) The Bank of England reserves the right to reject any non-competitive bid. Non-competitive bids which are accepted will be accepted in full at the non-competitive sale price plus accrued interest at the rate of £1.07397 per £100 nominal of Stock. The non-competitive sale price will be EQUAL TO THE AVERAGE OF THE PRICES AT WHICH COMPETITIVE BIDS HAVE BEEN ACCEPTED, the average being weighted by reference to the amount accepted at each price and ROUNDED DOWN TO THE NEAREST MULTIPLE OF 1/32ND OF £1.

(v) If the non-competitive sale price, plus accrued interest, is less than £102 per £100 nominal of Stock, the balance of the amount paid on application will be refunded by cheque sent by post at the risk of the applicant.

(vi) If the non-competitive sale price, plus accrued interest, is greater than £102 per £100 nominal of Stock, applicants whose non-competitive bids are accepted may be required to make a further payment equal to the non-competitive sale price, plus accrued interest, less £102 for every £100 nominal of Stock allocated to them. An applicant from whom a further payment is required will be notified by letter by the Bank of England of the amount of Stock allocated to him and of the further payment due, but such notification will confer no right on the applicant to transfer the amount of Stock so allocated. The despatch of certificates to applicants from whom a further payment is required will be delayed until such further payment has been made.

(vii) Each gilt-edged market maker may bid non-competitively for up to 0.5% of the Stock on offer.

21. The Bank of England may sell less than the full amount of the Stock on offer at the auction.

22. The Stock will be issued in registered form. Except in the case of Stock held for the account of members of the CGO Service (for whom separate arrangements apply), registration will be in accordance with the instructions given in the application form. The Bank of England may decline to register Stock unless it has obtained such evidence as it may require of the identity of the applicant and of any person for whom the applicant may be acting as agent.

23. Certificates in respect of the Stock sold (other than amounts held in the CGO Service for the account of members) and the refund of any excess amount paid, may at the discretion of the Bank of England be withheld until the applicant's cheque has been paid or CHAPS payment received and, where required, satisfactory evidence of identity has been received. In the event of such withholding, the applicant will be notified by letter by the Bank of England of the acceptance of his application and of the amount of Stock allocated to him, subject in each case to the payment of his cheque or receipt of his CHAPS payment, or to the receipt of satisfactory evidence of identity

as appropriate, but such notification will confer no right on the applicant to trace or to sue the Stock so allocated. Certificates will be sent by post at the risk of the applicant.

24. No sale will be made of a less amount than £1,000 nominal of Stock. If an application is satisfied in part only, the excess amount paid will, when refunded, be credited to the account of the applicant. Non-payment on presentation of a cheque or non-receipt of a CHAPS payment on the due date in respect of any Stock sold will render such Stock, liable to forfeiture. Interest at a rate equal to the London Inter-Bank Offered Rate for seven day deposits in sterling ("LIBOR") plus 1% per annum may, however, be charged on the amount payable in respect of any Stock for which payment is accepted after the due date. Such rate will be determined by the Bank of England by reference to market quotations, on the due date for such payment, for LIBOR obtained from such source or sources as the Bank of England shall consider appropriate.

25. Subject to the provisions governing membership of the CGO Service, a member of that Service may, by completing Section 3 of the application form, request that any Stock sold to him be credited direct to his account in the CGO on Friday, 26 July 1996 by means of a member-to-member delivery from an account in the name of the Governor and Company of the Bank of England, Number 2 Account. Failure to accept such delivery by the deadline for member-to-member deliveries under the rules of the CGO Service on 26 July 1996 shall for the purposes of this prospectus constitute default in due payment of the amount payable in respect of the relevant Stock.

26. Application forms and copies of this prospectus may be obtained by post from the Bank of England, New Issues, Southgate House, Southgate Street, Gloucester, GL1 1UW; at the Central Gilt & Moneymarkets Office, Bank of England, Threadneedle Street, London, EC2R 8AH or at any of the Branches or Agencies of the Bank of England; at the Bank of Ireland, Moyné Buildings, 1st Floor, 20 Colander Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange.

27. The taxation position of the Stock, under current legislation, is broadly as follows:

- The Stock is a gilt-edged security for the purposes of Schedule 9 to the Taxation of Chargeable Gains Act 1992. Accordingly, a disposal of the Stock will not give rise to a chargeable gain or allowable loss for the purposes of capital gains tax.
- Gilt-edged securities which are not strips are not "relevant discounted securities" for the purposes of Schedule 13 to the Finance Act 1996. Thus, for a holder of the Stock who is neither trading in the Stock nor within the charge to corporation tax in respect of it, United Kingdom income tax arising in relation to holdings of the Stock will generally be limited to income tax on interest received or, in certain circumstances, accrued.
- For a holder within the charge to corporation tax, a holding of the Stock will be a "loan relationship" to which the provisions of Chapter II of Part IV of the Finance Act 1996 will apply.

Government Statement

Attention is drawn to the statement issued by Her Majesty's Treasury on 29 May 1985 which explained that, in the interest of the orderly conduct of fiscal policy, neither Her Majesty's Government nor the Bank of England or their respective servants or agents undertake to disclose tax charges decided on but not yet announced, even where they may specifically affect the terms on which, or the conditions under which, this Stock is issued or sold by or on behalf of the Government or the Bank; that no responsibility can therefore be accepted for any omission to make such disclosure; and that such omission shall neither render any transaction liable to be set aside nor give rise in any claim for compensation.

BANK OF ENGLAND
LONDON

16 July 1996

APPLICATION FORM

Complete Section 1 or 2, plus Sections 6 and 8. Sections 3, 4, 5 and 7 should also be completed where appropriate.
TO THE GOVERNOR AND COMPANY OF THE BANK OF ENGLAND
I/We apply in accordance with the terms of the prospectus for competitive and non-competitive bids dated 16 July 1996 as follows:-

FOR COMPETITIVE BIDS ONLY
(If for Stock to be purchased at the price bid plus accrued interest)
See notes (a) and (b) below.

Nominal amount of 8% Treasury Stock 2015 applied for: £

Amount of Stock applied for	Multiple
£500,000-£1,000,000	£100,000
£1,000,000 or greater	£1,000,000

Price bid per £100 nominal of Stock, being a multiple of 1/32nd of £1: £ 32nds

Plus accrued interest at the rate of £1.07397 per £100 nominal of Stock: £ p 1 07.397

Total amount payable per £100 nominal of Stock: £ p

Amount required for payment IN FULL AT THE PRICE BID PLUS ACCRUED INTEREST: £

FOR NON-COMPETITIVE BIDS ONLY
(If for Stock to be purchased at the non-competitive sale price, plus accrued interest as defined in the prospectus)
See notes (c) and (d) below.

Nominal amount of 8% Treasury Stock 2015 applied for, being a multiple of £1,000, with a minimum of £1,000 and a maximum of £500,000 nominal of Stock: £

Sum enclosed, being £102 for every £100 NOMINAL of Stock applied for: £

FOR CGO MEMBERS ONLY

CGO Participant Number _____
Name of Contact _____ Telephone Number _____

REGULATED FINANCIAL INSTITUTIONS ONLY
(unless Section 3 applies)

Name of Registrar _____
Membership/Reference Number _____
Country/Territory of Registrar _____

THIS SECTION TO BE COMPLETED BY APPLICANTS ACTING AS AGENT FOR ANY THIRD PARTY
(unless the applicant is a CGO member or is a UK or EEA regulated financial institution, and Section 3 or 4 has been completed)

Full name and permanent address of each third party:
FORENAME(S) AND SURNAME ADDRESS (including postcode)

If additional spacing is required, please continue on separate sheet.

THIS SECTION TO BE COMPLETED BY ALL APPLICANTS

I/We request that Stock sold to me/us be registered in the undermentioned name(s) and that any certificate be sent by post at my/our risk to the first named holder at the address shown below.

IN THE CASE OF A NON-COMPETITIVE APPLICATION (other than one made by a gilt-edged market maker) I/We warrant that to my/our knowledge this is the only non-competitive application made for my/our benefit (or for the benefit of the person on whose behalf I am/we are applying).

IN THE CASE OF AN APPLICATION BY A MEMBER OF THE CGO SERVICE WHO HAS COMPLETED SECTION 3, we request that any Stock allocated to us be credited direct to our account at the CGO. We hereby irrevocably undertake to accept such Stock by member-to-member delivery through the CGO Service from the Governor and Company of the Bank of England, Number 2 Account (Participant number 5183) by the deadline for such deliveries on 26 July 1996, and we agree that the consideration to be input in respect of such delivery shall be the amount payable by us on the sale of such Stock in accordance with the terms of the prospectus.

IN THE CASE OF AN APPLICATION MADE ON BEHALF OF A THIRD PARTY, I/We have obtained and recorded evidence of the identity of each person on whose behalf I am/we are applying, and I/We will on demand make such evidence available to the Bank of England or the relevant authority.

SIGNATURE(S) _____
Date _____ of, or on behalf of, applicant

DETAILS OF APPLICANT(S)
(If not the person(s) in section 8)

FORENAME(S) AND SURNAME(S) ADDRESS (including postcode)

REGISTRATION DETAILS
Stock may be registered in the names of individuals or a corporate body.

CAPITAL LETTERS PLEASE

Title Forename(s) in full Surname

Address

Postcode

Title Forename(s) in full Surname

Address

Postcode

Daytime Telephone Number (in case there is a query)

FOR BANK OF ENGLAND USE

Box No. 889 End. Transaction Number 169
Batch Number New Account No. Cert. Posted Date

The Stock will be registered on the Bank of England Register, unless you wish the Stock to be registered on the National Savings Stock Register (NSSR) (if for which there is a maximum limit of £25,000 nominal of Stock) or at the Bank of Ireland, Belfast, in which case please tick the appropriate box.

NSSR
BELFAST

NOTES

- A competitive bid may not be made by an applicant as agent for any third party unless the applicant is a member of the CGO or is a UK or EEA regulated financial institution.
- Except in the case of members of the CGO Service who have completed Section 3, a CHAPS payment must be sent to the Sterling Banking Office, Bank of England (Sort Code 10-00-00) for the credit of "New Issues" (Account number 88560009) quoting the reference "8TY2015", to arrive not later than 1.30 pm on Friday, 26 July 1996. CHAPS payments must be debited to an account in the name of the applicant (or an account in the joint names of the applicant and one or more others) held with a bank or building society in the UK.
- A separate cheque must accompany each application. Cheques should be made payable to "Bank of England" and crossed "New Issues"; and must be drawn on a bank in, and be payable in, the United Kingdom, the Channel Islands or the Isle of Man. The Bank of England reserves the right to require evidence of the identity of any applicant for Stock or of any person for whom an applicant is acting as agent. An applicant lodging an application form in person should bring evidence of identity bearing the applicant's photograph (for example a passport) and evidence of the applicant's name and address from a third party, for example a recent bill from a gas, electricity or telephone company or a bank or building society statement.
- The procedure for any refund, or further amount payable, is set out in the prospectus.

APPLICATION FORMS MUST BE SENT TO THE BANK OF ENGLAND, NEW ISSUES, PO BOX 444, GLOUCESTER, GL1 1NP TO ARRIVE NOT LATER THAN 10.00 AM ON THURSDAY, 25 JULY 1996, OR LODGED BY HAND AT THE CENTRAL GILT & MONEYMARKETS OFFICE, BANK OF ENGLAND, THREADNEEDLE STREET, LONDON NOT LATER THAN 10.00 AM ON THURSDAY, 25 JULY 1996; OR LODGED BY HAND AT ANY OF THE BRANCHES OR AGENCIES OF THE BANK OF ENGLAND NOT LATER THAN 3.30 PM ON WEDNESDAY, 24 JULY 1996.

INTERNATIONAL CAPITAL MARKETS

Europe high-yielders caught in US downturn

By Richard Lapper in London and Lisa Branstetter in New York
High-yielding European bonds were yesterday caught in the downturn of the declining US equity market.

By institutions, many of which have joined the Italian rally only in its latest stages.
"There has been a move out by international holders," said Mr Robert Stewart, investment manager at Matheson Investment Management in London.

Mr Mark Fox, chief European strategist at Lehman Brothers, reported selling of high-yielders and some buying of Treasuries.
Even so "sentiment could change very fast from extreme bearishness", he said, and investors might begin to buy when the 10-year yield spread over Germany reaches 350 basis points.

By contrast, German bonds were helped by the strength of the D-Mark. The market, especially shorter-dated paper, was also buoyed by comments from Mr Hans Tietmeyer, Bundesbank president, that the bank was interested in keeping interest rates steady for as long as possible, or even lowering them if monetary conditions allowed.

US Treasuries also enjoyed a better day, with falling equities and benign figures on June inflation helping prices rise in early trading yesterday.
Near midday, the benchmark 30-year Treasury was at 87 1/2, up 0.16, while the September bond contract gained 0.28 to settle at 96.10.

Analysts had expected an increase of 0.2 per cent.
Figures released later in the morning on June capacity utilisation and industrial production also came in just below expectations.

Croatia cuts cost of borrowing in debut DM deal

By Gavin Gray in Zagreb and Corinne Middelmann in London

The Republic of Croatia has mandated Dresdner Bank to arrange its debut in the international syndicated loan market, a DM160m term facility that will set a benchmark for Croatian risk 100 basis points lower than recent government-guaranteed deals.

SYNDICATED LOANS

The loan has a two-year maturity, making it also the longest Croatian government interest commercial financing. The interest margin is 175 basis points over Libor, the first time a Croatian borrower has attempted to raise funds below the 200 basis point barrier. But bankers say that demand is strong even at this rate.

loan since May 1995, when a \$150m facility marked the country's return to the international capital markets after a 15-year absence. The deal is being prepared for general syndication and is likely to be launched in early September.
A \$200m five-year facility for the National Bank of Hungary was launched last week, replacing a planned global bond offering due to substantially lower funding costs in the loan market. The facility is priced at 50 basis points over Libor - 200 basis points over Libor - 200 basis points over Libor.

Syndication of the project financing loan for Uch Power, a \$600m, 566MW power station to be built in Pakistan, was launched last Friday by arrangers ABN Amro Bank and Deutsche Morgan Grenfell. Some \$300m of loans are being syndicated, split into the following tranches: \$145m three-year construction loan guaranteed by US Eximbank; a \$75m 15-year loan guaranteed by the World Bank; and another \$75m 9 1/2-year loan from the International Financing Corporation, syndicated among commercial banks. It is the first time these three supranational agencies have worked together on a project financing facility.

Meanwhile, the financing for a 1,200MW power station in Indonesia, PT Jawa Power, was signed last week. The deal set a number of milestones. It is the first Indonesian project with a 15-year uncovered commercial bank tranche, the first project financing with a new type of political-risk guarantee - called RKA - from the German government, and the first Asian project financing to tap US institutional investors through a private placement as part of its initial financing.

Elsewhere, the National Bank of Romania has appointed ABN Amro Bank and Citibank to arrange a new \$175m loan - Romania's fourth

Cemex raises \$600m, offers early redemption on \$1bn issue

By Samar Iskandar

Cemex, the Mexican cement company, yesterday issued two tranches of bonds, maturing in 2000 and 2005, for a total of \$600m. Simultaneously, it extended an offer to redeem \$1bn of existing bonds, originally due to mature in 1998.

"Future debt issuance... will be monitored closely to insure that current debt payment protection levels do not deteriorate," SEP said.
DBL Bank tapped strong demand for short-term dollar-denominated paper with a \$300m issue of two-year notes offering a yield flat to Treasuries.

Standard & Poor's, the US rating agency, assigned a BB rating to the new bonds, but said the outlook for Cemex bonds denominated in foreign currencies was negative.
SEP believes the current restructuring of \$3.5bn of existing debt will ease "liquidity pressures" on the company.

At Japanese investors. Nomura, lead manager of the dollar-denominated World Bank issue, said the 6 1/2 per cent coupon looked particularly attractive relative to Japanese one-year term deposits that yield barely 0.70 per cent.
The IFC's deal is of dual-currency. Issued in yen, they are redeemable in dollars. The dollar's steady appreciation against the yen has made this type of structure increasingly attractive to Japanese investors.

The roadshow for a Mexican \$3bn floating-rate note issue has ended in New York and the launch is expected during the first week of August. The issue, structured under the supervision of the New York Fed, has been awarded a provisional investment grade rating of Baa3 by Moody's.

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WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

Table with columns: Country, Coupon, Maturity, Price, Change, Yield, Spread, Month Ago. Includes Australia, Austria, Belgium, Canada, Denmark, France, Germany, Ireland, Japan, Netherlands, Portugal, Sweden, UK Gilt, US Treasury.

INTERNATIONAL BONDS

Table with columns: Country, Coupon, Maturity, Price, Change, Yield, Spread, Month Ago. Includes Australia, Austria, Belgium, Canada, Denmark, France, Germany, Ireland, Japan, Netherlands, Portugal, Sweden, UK Gilt, US Treasury.

EURO BOND FUTURES (LFFE) DMS2000 points of 100%

Table with columns: Strike, Price, Change, High, Low, Est. vol, Open Int. Includes Sep, Oct, Nov, Dec.

ITALY GOVT. BOND (BTF) FUTURES (LFFE) Lhs200m 100ths of 100%

Table with columns: Strike, Price, Change, High, Low, Est. vol, Open Int. Includes Sep, Oct, Nov, Dec.

FT ACTUARIES FIXED INTEREST INDICES

Table with columns: Index, Price, Change, Yield, Spread, Month Ago. Includes 1 Up to 5 years, 2 5-15 years, 3 Over 15 years, 4 Intermediate, 5 All stocks.

FT FIXED INTEREST INDICES

Table with columns: Index, Price, Change, Yield, Spread, Month Ago. Includes Govt. Secs, Fixed Interest, FT Actuaries.

GILT EDGED ACTIVITY INDICES

Table with columns: Index, Price, Change, Yield, Spread, Month Ago. Includes Gilt Edged bargains, 5-Day average, 10-Day average.

UK INTEREST RATES

Table with columns: Rate, Bid, Offer, Yield. Includes Treasury Bills and Bond Yields, Prime rate, Bank rate, etc.

US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

Table with columns: Strike, Price, Change, High, Low, Est. vol, Open Int. Includes Sep, Oct, Nov, Dec.

SPAIN NATIONAL SPANISH BOND FUTURES (MEFF)

Table with columns: Strike, Price, Change, High, Low, Est. vol, Open Int. Includes Sep, Oct, Nov, Dec.

UK NATIONAL GILT FUTURES (LFFE) £50,000 32nds of 100%

Table with columns: Strike, Price, Change, High, Low, Est. vol, Open Int. Includes Sep, Oct, Nov, Dec.

FT/ASIA INTERNATIONAL BOND SERVICE

Table with columns: Issued, Bid, Offer, Chg, Yield. Includes US Dollar Straddles, Asian Dollar Straddles, etc.

US DOLLAR STRADDLES

Table with columns: Issued, Bid, Offer, Chg, Yield. Includes ABN Amro, AIG, etc.

ASIAN DOLLAR STRADDLES

Table with columns: Issued, Bid, Offer, Chg, Yield. Includes Citibank, etc.

BOND FUTURES AND OPTIONS

FRANCE NATIONAL FRENCH BOND FUTURES (MATIF) FFs200,000

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol, Open Int. Includes Sep, Oct, Nov, Dec.

GERMANY NATIONAL GERMAN BOND FUTURES (LFFE) DMS20,000 100ths of 100%

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol, Open Int. Includes Sep, Oct, Nov, Dec.

US US TREASURY BOND FUTURES (CBT) \$100,000 32nds of 100%

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol, Open Int. Includes Sep, Oct, Nov, Dec.

JAPAN NATIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LFFE) ¥100m 100ths of 100%

Table with columns: Open, Settle, Price, Change, High, Low, Est. vol, Open Int. Includes Sep, Oct, Nov, Dec.

OTHER FIXED INTEREST

Table with columns: Index, Price, Change, Yield, Spread, Month Ago. Includes Japanese Bank Straddles, etc.

CONVERTIBLE BONDS

Table with columns: Index, Price, Change, Yield, Spread, Month Ago. Includes Allied, etc.

SALE LEASE

Table with columns: Index, Price, Change, Yield, Spread, Month Ago. Includes Allied, etc.

UK GILTS PRICES

Table with columns: Issue, Price, Change, Yield, Spread, Month Ago. Includes Short-term, Intermediate, Long-term.

EURO BOND FUTURES (LFFE) DMS2000 points of 100%

Table with columns: Strike, Price, Change, High, Low, Est. vol, Open Int. Includes Sep, Oct, Nov, Dec.

ITALY GOVT. BOND (BTF) FUTURES (LFFE) Lhs200m 100ths of 100%

Table with columns: Strike, Price, Change, High, Low, Est. vol, Open Int. Includes Sep, Oct, Nov, Dec.

FT ACTUARIES FIXED INTEREST INDICES

Table with columns: Index, Price, Change, Yield, Spread, Month Ago. Includes 1 Up to 5 years, 2 5-15 years, 3 Over 15 years, 4 Intermediate, 5 All stocks.

FT FIXED INTEREST INDICES

Table with columns: Index, Price, Change, Yield, Spread, Month Ago. Includes Govt. Secs, Fixed Interest, FT Actuaries.

GILT EDGED ACTIVITY INDICES

Table with columns: Index, Price, Change, Yield, Spread, Month Ago. Includes Gilt Edged bargains, 5-Day average, 10-Day average.

UK INTEREST RATES

Table with columns: Rate, Bid, Offer, Yield. Includes Treasury Bills and Bond Yields, Prime rate, Bank rate, etc.

EXCHANGE CROSS RATES

Table with columns: Currency, Bid, Offer, Yield. Includes US Dollar, British Pound, etc.

LONDON MONEY RATES

Table with columns: Rate, Bid, Offer, Yield. Includes Treasury Bills and Bond Yields, Prime rate, Bank rate, etc.

CONVERTIBLE BONDS

Table with columns: Index, Price, Change, Yield, Spread, Month Ago. Includes Allied, etc.

SALE LEASE

Table with columns: Index, Price, Change, Yield, Spread, Month Ago. Includes Allied, etc.

Vertical sidebar on the right edge of the page containing various market reports and advertisements, including 'MARKETS REPORT', 'US stock', and 'SALE LEASE'.

CURRENCIES AND MONEY

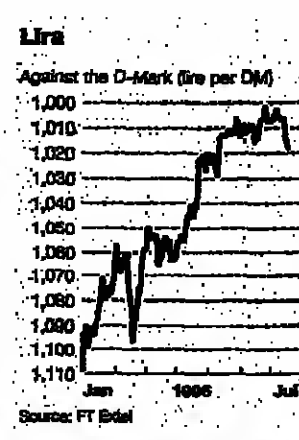
MARKETS REPORT

US stock market fall prompts flight out of dollar

By Graham Bowley

The sell-off in the US stock market knocked the dollar sharply lower on the foreign exchanges yesterday in what some analysts described as the busiest trading session of the year. The dollar came under heavy selling pressure against the yen, Swiss franc and the D-Mark.

It closed at DM2.342. It fared better against the dollar, closing about half a cent higher at \$1.5576.



Analysts also said there was a view in the market that the US authorities would not raise interest rates in a US election year when the stock market was falling. They said this explained why the front-end of the bond yield curve performed well yesterday.

Mr Persaud said that while US investors were focusing on the stock market declines, investors in Europe were focusing on last week's Dutch interest rate rise.

Table titled 'POUND SPOT FORWARD AGAINST THE POUND' showing exchange rates for various currencies against the pound sterling. Columns include currency, bid/offer rates, and bank names.

Table titled 'DOLLAR SPOT FORWARD AGAINST THE DOLLAR' showing exchange rates for various currencies against the US dollar. Columns include currency, bid/offer rates, and bank names.

Table titled 'EURO CURRENCY INTEREST RATES' showing interest rates for various European currencies. Columns include currency, rate, and bank names.

Table titled 'CROSS RATES AND DERIVATIVES' showing exchange rates for various currencies. Columns include currency, bid/offer rates, and bank names.

Table titled 'JAPANESE YEN FUTURES (MMY Yen 12.5 per Yen 100)' showing futures prices for Japanese yen. Columns include month, price, and bank names.

Table titled 'STERLING FUTURES (MMY \$25,000 per £)' showing futures prices for sterling. Columns include month, price, and bank names.

Table titled 'EURO CURRENCY INTEREST RATES' showing interest rates for various European currencies. Columns include currency, rate, and bank names.

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Table titled 'UK INTEREST RATES' showing interest rates for various UK currencies. Columns include currency, rate, and bank names.

Table titled 'EURO CURRENCY INTEREST RATES' showing interest rates for various European currencies. Columns include currency, rate, and bank names.

Table titled 'EURO CURRENCY INTEREST RATES' showing interest rates for various European currencies. Columns include currency, rate, and bank names.

Table titled 'LONDON MONEY RATES' showing money rates for various currencies. Columns include currency, rate, and bank names.

Table titled 'EURO CURRENCY INTEREST RATES' showing interest rates for various European currencies. Columns include currency, rate, and bank names.

Table titled 'EURO CURRENCY INTEREST RATES' showing interest rates for various European currencies. Columns include currency, rate, and bank names.

Table titled 'UK CLEARING BANKS' showing clearing bank rates. Columns include bank name, rate, and bank names.

Table titled 'EURO CURRENCY INTEREST RATES' showing interest rates for various European currencies. Columns include currency, rate, and bank names.

Table titled 'EURO CURRENCY INTEREST RATES' showing interest rates for various European currencies. Columns include currency, rate, and bank names.

Table titled 'BASE LENDING RATES' showing base lending rates for various currencies. Columns include currency, rate, and bank names.

Table titled 'EURO CURRENCY INTEREST RATES' showing interest rates for various European currencies. Columns include currency, rate, and bank names.

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WORLD INTEREST RATES

Table titled 'WORLD INTEREST RATES' showing interest rates for various world currencies. Columns include currency, rate, and bank names.

EURO CURRENCY INTEREST RATES

Table titled 'EURO CURRENCY INTEREST RATES' showing interest rates for various European currencies. Columns include currency, rate, and bank names.

THREE MONTH EURO CURRENCY FUTURES (LIFEY DM1m points of 100%)

Table titled 'THREE MONTH EURO CURRENCY FUTURES' showing futures prices for three-month Euro currencies. Columns include month, price, and bank names.

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Advertisement for 'Futures-Options-Forex' services, including contact information and a list of services offered.

Advertisement for 'Berkeley Futures Limited', featuring a 'Round Turn' offer and contact details.

Advertisement for 'Market-Eye' financial services, including a 'FREE TRIAL' offer and contact information.

Advertisement for 'Futures - Tax Free' services, highlighting tax benefits and contact details.

Advertisement for 'Offshore Companies' services, including information on company formation and contact details.

Advertisement for 'Signal' financial services, featuring a 'FREE TRIAL' offer and contact information.

COMMODITIES AND AGRICULTURE

Australian wheat price estimate cut

By Nikki Tait in Sydney
The Australian Wheat Board, which handles the country's grain exports, yesterday lowered its estimate for the 1996-97 "Australian Standard wheat" pool by \$10 a tonne, to \$225 a tonne. Its estimates for the "hard" and "prime hard" pools were revised downwards by \$15 a tonne to \$240 and \$260 a tonne respectively.

India expected to boost LNG imports

By Robert Corzine
Imports of liquefied natural gas should make rapid inroads into India over the next 15 years or so, according to a new study by Wood Mackenzie, the Edinburgh-based energy consultancy.

Mongolian herdsmen make a comeback as the grain revolution goes into reverse

Geoff Tansey on the transition from a centrally planned to a market economy that began in 1990

Sitting on his horse in north central Mongolia, herding sheep, cattle, horses and a few goats, Mr Damiinragchaa is content. His round, white felt tent - known as a ger - is just visible in the distance. It is the only sign of human habitation in sight.

The Netherlands, Belgium and Luxembourg combined - but the population is tiny, about 2.3 million. Of these, 1.2m live in towns and over 600,000 in the capital. The countryside, even in the central northern areas where most crop farming is carried out, feels almost empty. Agriculture accounts for 21 per cent of GDP and incomes are very low, with a GNP per capita of \$340 in 1994, according to the 1996 World Bank Atlas.

It is just two years since Mr Dugar in the Nomgon district of Selenge province became a dairy farmer after the large complex, at which he used to be the sports teacher, was broken up into 15 smaller units. He and his wife have received loans and training as part of a project to support the development of small-scale dairying in this area. They plan to process milk at a local factory and market the products in the nearby city of Darhan.



Herding is the tradition and horses the passion in Mongolia

however, with a largely literate population and the wide reach of radio into the countryside and TV in the towns and cities. About two thirds of herdsmen have radios.

gor just off the road for the past two years looking after the family's 60 sheep and goats, 30 horses, 10 cattle and a few pigs. An elder brother, Mr Ganbold, visits them regularly to see how they are getting on. These animals are the main wealth of five related families and are used for meat, draught and to generate cash: from their products, including skins, hides and cashmere. "If possible, he will grow to having a 1,000" he says.

Guyana starts selling off bauxite industry

By Carole James in Kingston
Guyana is starting the divestment of its bauxite industry by offering for privatisation a major refractory grade mine. Limbico, located about 100km from Georgetown, the capital, has about 20m tonnes of ore in the pit now being worked and known reserves of 56m tonnes.

used to line furnaces and kilns in industries using processes that involve high temperatures. Guyana, an English-speaking republic on the north east shoulder of South America, produced 231,000 tonnes of refractory grade bauxite last year, and shares with China the world market for the product.

"We believe that imports of Qatari LNG into India at the current \$3.50-\$4.00 per MMBTU will become economically attractive." But even with a rapid build-up of LNG imports India is likely to continue to experience gas supply shortages for many years to come. Current demand is just 18bcm, although requests for gas connection to Gail, the state gas authority, suggests pent up demand of 90bcm a year by the end of the decade.

considerably, from 854,100 hectares in cereals, mainly wheat, in 1990 to 419,100 ha in 1994, according to SSO figures. Wheat production fell from 556,200 tonnes in 1990 to 321,900 in 1994, leading to large food aid requirements. A World Bank study suggested that it would not be economic to be self-sufficient in wheat but self-sufficiency for food security is still a live issue.

There are 180,300 herdsmen in 1995 according to the State Statistical Office but the total number of families with animals in Mongolia herding is the traditional way of life and horses the passion. The diet is fairly restricted, however, being meat and dairy-based with few fruits and vegetables. The land is vast - it covers an area larger than Spain, Portugal, France, Germany,

there is a flow of market information to help farmers and herdsmen decide what to produce. "There are two different problems," she says. "First of all, getting the market information message out to aimag centres, then to sooms (districts). What we are trying to do with market information is really to encourage flows of produce." The other problem is that in Mongolia the distances are vast, very great and people's understanding of markets is still very limited. Mongolia has a useful legacy from the past,

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

Table with columns for metal type (Aluminum, Copper, Zinc, Lead, Tin, Nickel, Silver, Platinum, Palladium, Gold, Silver, Tin, Nickel, Copper, Zinc, Lead, Tin, Nickel, Silver, Platinum, Palladium, Gold), price change, high, low, and open prices.

ENERGY

Table with columns for energy type (Crude Oil, Heating Oil, Natural Gas, Coal, Uranium), price change, high, low, and open prices.

PRECIOUS METALS

Table with columns for metal type (Gold, Silver, Platinum, Palladium), price change, high, low, and open prices.

GRAINS AND OIL SEEDS

WHEAT LCE (\$ per tonne)

Table with columns for wheat type (Soft Red Winter, Hard Red Winter, Soft Red Spring, Hard Red Spring), price change, high, low, and open prices.

SOYABEAN OIL CBT (\$/100 lbs)

Table with columns for soyabean oil type (Crude, Refined), price change, high, low, and open prices.

COFFEE (C) (\$/100 lbs)

Table with columns for coffee type (Arabica, Robusta), price change, high, low, and open prices.

SUGAR (11) (\$/100 lbs)

Table with columns for sugar type (World, US), price change, high, low, and open prices.

POTATOES LCE (\$/100 lbs)

Table with columns for potato type (White, Yellow), price change, high, low, and open prices.

FRUIT & VEGETABLES

Table with columns for fruit/vegetable type (Apples, Oranges, etc.), price change, high, low, and open prices.

MEAT AND LIVESTOCK

LIVE CATTLE CME (\$/100 lbs)

Table with columns for cattle type (Steers, Heifers), price change, high, low, and open prices.

PORK BELT LCE (\$/100 lbs)

Table with columns for pork type (Sides, Bellies), price change, high, low, and open prices.

LONDON TRADED OPTIONS

Table with columns for option type (Aluminum, Copper, Zinc, Lead, Tin, Nickel, Silver, Platinum, Palladium, Gold), price change, high, low, and open prices.

LONDON SPOT MARKETS

Table with columns for market type (Crude Oil, Heating Oil, Natural Gas, Coal, Uranium), price change, high, low, and open prices.

FUTURES DATA

Table with columns for future type (Crude Oil, Heating Oil, Natural Gas, Coal, Uranium), price change, high, low, and open prices.

MEAT AND LIVESTOCK

LIVE CATTLE CME (\$/100 lbs)

Table with columns for cattle type (Steers, Heifers), price change, high, low, and open prices.

PORK BELT LCE (\$/100 lbs)

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Table with columns for option type (Aluminum, Copper, Zinc, Lead, Tin, Nickel, Silver, Platinum, Palladium, Gold), price change, high, low, and open prices.

LONDON SPOT MARKETS

Table with columns for market type (Crude Oil, Heating Oil, Natural Gas, Coal, Uranium), price change, high, low, and open prices.

FUTURES DATA

Table with columns for future type (Crude Oil, Heating Oil, Natural Gas, Coal, Uranium), price change, high, low, and open prices.

INDICES

Table with columns for index type (DAX, Nikkei, etc.), price change, high, low, and open prices.

JOTTER PAD
To order any book reviewed or referred to in the FT, or indeed any other book, call Frodothor 0500 418 419, or +44 181 964 1254 outside the UK, for the FT Bookshop. Free p&p in UK, £1.50 in Europe, £7.50 Rest of World.

CROSSWORD

No.9,122 Set by CINCINNUS

Crossword puzzle grid with numbers 1-30 indicating starting positions for words.

- ACROSS
1 Dog displayed drink (8)
5 Page one has plenty about a gun (6)
9 Stretcher provided by former (8)
10 Unit of currency worth more than the pound in West Africa (6)
12 Rock providing smooth sound around music centre (8)
13 As senior member, a fellow entertainer you (6)
14 Midday No, almost one (4)
15 Shaky seat, alarming, may be dismembered (8)
16 Dressing found in sugar basin? (4)
17 South African province that is for a girl? (7)
18 Hamlet, say, incorporated in disheartened procrastinator. Elsinore's leading character (8)
19 Confectionery we consumed in groups (6)
20 A white heron from Winnipeg returns (6)
21 Poet composing sonnet about New York (8)
22 Latin bringing in scholarship (8)
23 Grain ground for dinner, say (4)
24 People from Asia, but perhaps not Israel (8)
25 Break one's journey and treat too much? (4)
26 Shaky seat, alarming, may be dismembered (8)
27 Dressing found in sugar basin? (4)
28 South African province that is for a girl? (7)
29 Hamlet, say, incorporated in disheartened procrastinator. Elsinore's leading character (8)
30 Confectionery we consumed in groups (6)
31 A white heron from Winnipeg returns (6)

Solution 9,121
A crossword puzzle solution grid with words filled in.

Handwritten signature or date: JUL 16 1996

Offshore Funds and Insurances

FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4376 for more details.

FT MANAGED FUNDS SERVICE

Main table containing financial data for various funds and insurance products, including columns for fund names, prices, and other metrics.

JAVICO LTD

Handwritten Arabic text in a box at the top of the page.

INV TRUSTS SPLIT CAPITAL - Cont.

Table listing investment trusts with columns for name, price, and change.

LEISURE & HOTELS - Cont.

Table listing leisure and hotels companies with columns for name, price, and change.

OTHER FINANCIAL - Cont.

Table listing other financial companies with columns for name, price, and change.

PROPERTY - Cont.

Table listing property companies with columns for name, price, and change.

SUPPORT SERVICES - Cont.

Table listing support services companies with columns for name, price, and change.

AIM - Cont.

Table listing AIM companies with columns for name, price, and change.

OTHER INVESTMENT TRUSTS

Table listing other investment trusts with columns for name, price, and change.

OIL EXPLORATION & PRODUCTION

Table listing oil exploration and production companies with columns for name, price, and change.

INVESTMENT COMPANIES

Table listing investment companies with columns for name, price, and change.

OIL, INTEGRATED

Table listing integrated oil companies with columns for name, price, and change.

PROPERTY

Table listing property companies with columns for name, price, and change.

RETAILERS, GENERAL - Cont.

Table listing general retailers with columns for name, price, and change.

WATER

Table listing water companies with columns for name, price, and change.

SUPPORT SERVICES

Table listing support services companies with columns for name, price, and change.

LEISURE & HOTELS

Table listing leisure and hotels companies with columns for name, price, and change.

OTHER FINANCIAL

Table listing other financial companies with columns for name, price, and change.

PROPERTY

Table listing property companies with columns for name, price, and change.

RETAILERS, GENERAL

Table listing general retailers with columns for name, price, and change.

WATER

Table listing water companies with columns for name, price, and change.

Advertisement for Home Shopping with text: 'HOME SHOPPING HAS AND CONTINUES TO UNDERGO HUGE CHANGES IN BUSINESS PRACTICE. OUR 1000 STRONG MERSEYSIDE WORKFORCE CONTINUES TO MEET THE CHALLENGES FACED. A pool of talent. 0800 22 0151'.

TOBACCO

Table listing tobacco companies with columns for name, price, and change.

TRANSPORT

Table listing transport companies with columns for name, price, and change.

AIM

Table listing AIM companies with columns for name, price, and change.

RETAILERS, FOOD

Table listing food retailers with columns for name, price, and change.

RETAILERS, GENERAL

Table listing general retailers with columns for name, price, and change.

TEXTILES & APPAREL

Table listing textiles and apparel companies with columns for name, price, and change.

TELECOMMUNICATIONS

Table listing telecommunications companies with columns for name, price, and change.

AMERICANS

Table listing American companies with columns for name, price, and change.

CANADIANS

Table listing Canadian companies with columns for name, price, and change.

SOUTH AFRICANS

Table listing South African companies with columns for name, price, and change.

GUIDE TO LONDON SHARE SERVICE

Guide to London Share Service explaining the service, pricing, and contact information.

LONDON STOCK EXCHANGE

MARKET REPORT

FT-SE 100 falls to 1996 low as Wall St drops

By Steve Thompson, UK Stock Market Editor

The FT-SE 100 index fell to its lowest closing level this year, and the FT-SE Mid 250 to a five-month low, as UK stocks absorbed the impact of Monday's near 8 per cent slide by the Dow Jones Industrial Average.

The back-to-back three-figure falls on Wall Street occurred 90 minutes after trading in London finished, prompting intense worries in Europe that a much bigger correction in the US, and across other markets, could happen.

Senior traders were divided as to the chances of UK stocks staging any sort of short term recovery. The head of marketmaking at one big European broker firm said he expected London to stabilise and possibly rally if Wall Street managed to finish with something of a reasonable close.

Activity was further complicated by a series of economic news items, from both sides of the Atlantic. In the UK, news of a higher than expected public sector borrowing requirement for June unnerved gilt. The 10-year term fell almost half a point before rallying.

Over in the US, there was some comfort for bonds with better than expected inflation data and reassuring industrial production figures. The Footsie caped wall with the Dow's 161-point fall on Monday - its fourth highest of all time - opening markets took evasive action and chopped quotations to head off any attempted selling.

Bid hope boosts Blenheim

Exhibitions and conference organiser Blenheim kept 15 to 43p as the stock market got wind that the long-awaited bid is finally about to arrive.

It is believed that United News & Media, which bought stock back in May, is poised to make a formal offer - possibly as early as tomorrow. It is not clear what level the company will pitch its bid, but it is thought that Blenheim will accept nothing less than 500p a share.

BAA shares moved strongly ahead by 15 to 485p, making it the best performing stock of the day in the premier FT-SE 100 index, as turnover jumped to 18m, its highest daily total for nearly five years.

One analyst said: "This is the best that shareholders could have hoped for, and frankly there is great relief in the market that it was not worse. The meeting with analysts was also confident, which was encouraging."

But it was not all good news for BAA, and several analysts pointed to the likely revenue shortfall for the company when inter EU duty free ends in 1999. Mr Mike Stoddart at Charterhouse Tilney said: "Compared with indications given five years ago by the GAA, this (formula) cuts BAA's revenue by 27m, rising to 238m over the life of the review. Thus I do not see this as being a particularly great day for BAA."

Takeover speculation has surrounded Blenheim since June when movements in the share price prompted the company to issue a statement that it had received an initial approach from an unnamed company. Some dealers suggested that yesterday's move could prompt a stock exchange inquiry to flush out the interested party.

United fell 27 to 629p and Reed International, which has also been considered a suitor, dropped 22 to 1073p.

UK airports operator BAA was one of the few specs of blue on the Seaq trading screens throughout the day as an otherwise dull market celebrated news of a better than expected proposed pricing

carry out a rationalisation of its ferry operations in the new improved climate. Sentiment in the stock continued to be boosted by continued hopes that the company will soon announce disposals, and a positive UBS note on demerger prospects which was published earlier this week.

Pressure on equities in New York and London added to investor concerns over British Energy. The latter's newly floated partly-paid shares fell 3 to 91p in spite of the stabilisation efforts of EBSV.

The rout continued among biotechnology stocks as British Biotech slid further below the level at which it pitched its rights issue. The shares were off 21 to one stage but rallied to close 10 down at 2050p, compared to a rights price of 2050p, Celltech fell 36 to 509p and Scotia 44 to 671p.

Courtaulds, the chemicals group, fell 13 to 422p after a somewhat disappointing trading statement that prompted a forecast downgrade by HSBC.

James Capel, Sir Christopher Hogg, Courtaulds' chairman, said trading was mostly in line or ahead of last year but profits in the first quarter were below previous levels. Several Trent rose 5 to 530p against the trend as vague takeover speculation returned to the sector.

Encouraging new business figures from Prudential saw the life insurer rise 2 before being dragged back with the market to end 2 off at 413p. The Pru's single premium rose 36 per cent in the first six months of 1996 to £3.38bn and annual premiums were up 18 per cent to £290m.

Charterhouse Tilney said it would maintain its buy stance as the figures showed an encouraging underlying trend. Standard Chartered improved 5 to 645p. The weight of a block of 1.1m shares overhanging the market was removed after it went through the market at 630p a share.

Aerospace and engineering group Hunting tumbled 34 to 143p after it surprised the market with a profits warning. The group said it expected to make a "substantial loss" in the first half of the year after provisions and write-offs.

Volume in vehicle components group Kwik-Fit rose to 3.8m following a cross of 1m that was done at 225p a share. Shares in the group firmed a penny to 227p.

The stores sector was among the worst affected by the general market retreat, with traders setting a number of stocks to a new low. A premium rating to the market or which had outperformed recently.

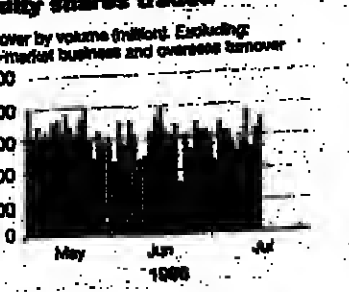
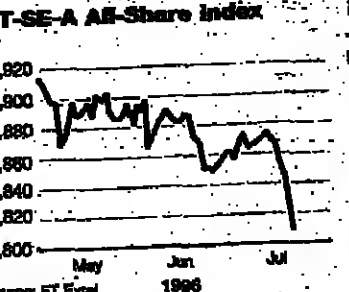
US corn interests, fell 10 to 462p on reports from CPC International, the US food company, that troubles in its corn refining business would hit third-quarter results. Paper and packaging group David S Smith lifted 4 to 236p ahead of preliminary figures expected today.

Lasmo held steady, with a fall of only a penny to 172p after MatWest Securities reiterated its positive stance on the oil company. The broker believes Lasmo is the only stock in the sector that trades at a serious discount to asset value.

BAT Industries moved up a penny to 485p on further enthusiasm for the restructuring of its financial services arm.

MARKET REPORTERS: Peter John, Joel Kibazo, Lisa Wood.

LONDON STOCK ISSUES: EQUITIES



Indices and ratios table with columns for Index Name, Value, and Change. Includes FT-SE 100, FT-SE Mid 250, FT-SE-A 350, FT-SE-A All-Share, and FT-SE-A All-Share yield.

Best performing sectors table with columns for Sector Name and Change. Includes Tobacco, Transport, Water, Life Assurance, and Paper, Poly & Print.

FUTURES AND OPTIONS

Table of FT-SE 100 INDEX FUTURES (LFFE) and FT-SE 100 INDEX OPTIONS (LFE) with columns for Open, Settle, High, Low, and Change.

TRADING VOLUME

Table of Major Stocks Issues: Volume, Change, and Day's Change. Lists various companies like BSA Group, Abbey National, and Anglo Irish Bank.

Financial Publishing advertisement for INSURANCE. Includes text: "With the increasing complexities and competition within the insurance market it is crucial that you stay aware of the core developments shaping the global insurance industry." and "Benefit from the unmatched analysis of key industry issues within the following reports, priced between £250 and £350." Lists various insurance market reports and newsletters.

FT-SE Actuarial Share Indices table. Includes sub-sections for FT-SE Actuarial Share Indices, The UK Series, FT-SE Actuarial All-Share, and FT-SE Actuarial 350 Industry baskets. Contains extensive numerical data for various indices and sectors.

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

Table listing stock market data for Europe, including countries like Austria, Belgium, Germany, France, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Switzerland, and the UK. Columns include stock names, prices, and changes.

ASIA

Table listing stock market data for Asia, including countries like Hong Kong, Japan, Korea, Singapore, and Taiwan. Columns include stock names, prices, and changes.

AMERICA

Table listing stock market data for America, including Canada and the United States. Columns include stock names, prices, and changes.

AFRICA

Table listing stock market data for Africa, including South Africa and other regional markets. Columns include stock names, prices, and changes.

INDEXES

Table showing various market indices such as Nikkei, Dow Jones, FTSE 100, and others, along with their current values and percentage changes.

Advertisement for Rockwell Defence Electronics, featuring the text: 'Communications systems produced by Rockwell Defence Electronics are used by the US government, NATO and more than 60 other countries around the globe' and the Rockwell logo.

INDICES

Table of indices for various regions including Europe, Asia, and America, showing index values and changes.

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NEW YORK STOCK EXCHANGE PRICES

Main table of stock prices with columns for stock symbols, prices, and changes. Includes sub-sections for 'D', 'H', 'M', 'P', 'Q', 'R', 'S', 'T', 'U', 'V', 'W', 'X', 'Y', 'Z'.

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LUX. The edge over your... Lux soap advertisement.

4 pm close July 16

NYSE PRICES

Table of NYSE stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'T', 'U', 'X-Y-Z', and 'A-Z'.

NASDAQ NATIONAL MARKET

4 pm close July 16

Table of NASDAQ National Market stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'A-Z', and 'X-Y-Z'.

AMEX PRICES

4 pm close July 16

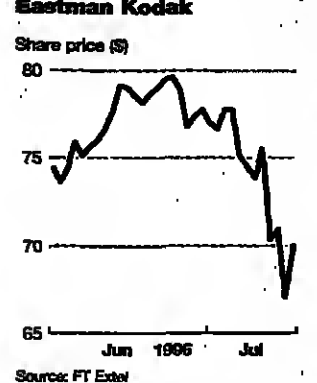
Table of AMEX stock prices including columns for stock name, price, change, and volume. Includes sub-sections for 'Continued from previous page', 'A-Z', and 'X-Y-Z'.

Advertisement for Luxembourge. Text: 'Have your FT hand delivered in Luxembourge. Gain the edge over your competitors by having the Financial Times delivered to your home or office every working day. Hand delivery services are available for subscribers throughout the Grand Duchy of Luxembourg. Please call +32 2 548 95 50 for more information. Financial Times. World Business Newspaper.'

Continuation of stock price tables from the previous page, including sections for 'Continued from previous page', 'A-Z', and 'X-Y-Z'.

AMERICA Volatile Dow tumbles 120 points by noon

Wall Street The US equity market gave investors only the briefest hopes of staging a rebound yesterday before resuming the slide that has wiped out most of the gains made so far this year...



Eastman Kodak Share price (\$) The Dow Jones Industrial Average opened stronger, climbing 45 points in the first hour of trading...

EUROPE European high-techs pressured

Technology stocks felt the full force of the selling pressure across European markets yesterday as investors embarked on a virtually indiscriminate campaign to offload the sector...

Continental markets track US lower

Volatile movements in the US equity markets during the afternoon kept Continental markets under pressure. PARIS wilted under the pressure and, although recovering from the intra-day low of 1,975.88, the CAC-40 index finished well under the 3,000 level...

Table with columns: Index Name, Open, High, Low, Close, % Change. Includes FT-SE 100, DAX, Nikkei, etc.

Table with columns: Index Name, Open, High, Low, Close, % Change. Includes FT-SE 100, DAX, Nikkei, etc.

off its intra-day low in the final hour of trading. The KFX index was finally 1.74 off at 115.55, after falling as low as 114.79, with turnover at DK\$52m. TeleDanmark, the telecommunications operator, was the most heavily traded issue and ended down DKr1 at DKr282.

ASIA PACIFIC

Tumbling Nikkei sees fourth largest daily loss of year

The Nikkei registered its fourth largest daily loss of the year in response to the overnight fall on Wall Street. The Nikkei 225 average shed 347.07 to 2,406.38, after moving between 2,362.54 and 2,537.75...

THE DAY'S CHANGES

Table showing percentage changes for various stock indices like Budapest, Milan, Warsaw, Frankfurt, Zurich, Paris, Amsterdam, Stockholm, Vienna, Helsinki, Brussels, Copenhagen.

THE DAY'S CHANGES

Table showing percentage changes for various stock indices like Sydney, Taipei, Manila, Bombay, Tokyo, Hong Kong, Wellington, Kuala Lumpur, Jakarta, Bangkok, Seoul, Singapore.

Mexico City off 1.8%

The region's markets were following the direction of Wall Street. By midsession MEXICO CITY had fallen 50.43, or 1.8 per cent, to 2,865.13. Volume was moderate at 50m shares.

South Africa down sharply

Johannesburg fell sharply across the board as the market took a beating from Monday's drop on Wall Street. The overall index finished 179.6 down at 6,628.4, while the industrials index dropped 226.2 to 7,788 and the golds index lost 23.3 to 1,844.3.

Roundup

US influences dominated regional markets. SYDNEY tumbled to its lowest closing level in eight months. The All Ordinaries index down by more than 2 per cent in the first 30 minutes...

FT Conference 29 & 30 August 1996

Registration form for FT Conference 29 & 30 August 1996. Includes names of speakers like Mr Robert Ayling, Dr Vance Coffman, Mr Stuart V. Oran, etc.

FT/S&P ACTUARIES WORLD INDICES

Large table with columns: Country, Index Name, US Dollar Index, % Change, etc. Lists various world indices and their performance.

Handwritten Arabic text: 'مكتبة الأصيل'